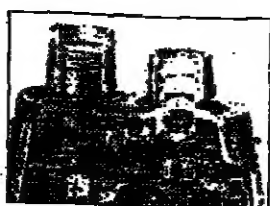




Taylor at Barclays
Will the whiz kid have a real job?
Page 11



Second sight
How Leica delivers binocular vision
Page 7



Business travel
Europe's cheapest and most expensive cities
Page 5



TOMORROW'S Weekend FT
Eastern Europe's revolution turns against the women

FINANCIAL TIMES

Europe's Business Newspaper

FRIDAY, AUGUST 12, 1993

£5.25A

Asea Brown Boveri to cut 7,000 more jobs this year

Asea Brown Boveri, the world's largest power engineering group, is to speed up its rationalisation programme, eliminating a further 7,000 jobs by the end of the year, after reporting flat pre-tax profits of \$497m. New provisions of \$50m will be made against 1993 earnings. Page 13; Lex, Page 12

Ford of Europe head fights moves: Ford, the US carmaker, became embroiled in public conflict with one of its top executives in Germany, in the latest shake-up of its European management. Page 12; Progress claimed in VW 'spying' probe. Page 2; Car sales fall. Page 5

Airline 'crisis' threat: Increasing restrictions in the world's skies are a "growing crisis" that threatens to cripple US airlines and ultimately the US economy, according to a report on the industry. Page 4

US head for NAFTA teams: The head of the Clinton administration's lobbying effort for the North American Free Trade Agreement was formally named as William Daley, brother of Chicago's mayor Richard Daley.

Brazil wages law: Brazil's economics team has achieved a turnaround in government legislation on wage adjustments, with Congress voting in favour of monthly wage adjustments of 10 percentage points below the inflation rate instead of adjustments of 100 per cent. Page 4

Istebegovic rules out early accord: Bosnia's president Alija Istebegovic dismissed hopes of an early settlement to the conflict in spite of the start of talks on the republic's ethnic partition involving the presidents of Serbia and Croatia. Page 2

Walt Disney to expand animated films:



Walt Disney, the US entertainment group, announced a big expansion of its animated film production after the box office success of *Aladdin*, its latest feature, and *Beauty and the Beast* (left). Max Howard, vice-president of Walt Disney Animation in Florida, is currently in London to recruit animators to work on new productions at studios in California and Florida. *Aladdin*, has grossed more than \$212m in North America, while *Beauty and the Beast* has earned more than \$147m in the US. Page 12

Mannesmann, the diversified engineering group which has been a favourite with investors during the recent rally in the German stock market, reported a group net loss of DM487m (\$271.6m) for the first six months after a profit of DM15m year on year. Page 13

Ericsson, the Swedish telecommunications group, expects profits at least to double in 1993 after a strong recovery in first-half net income to SKr1.28bn (\$162m) from SKr596m. Page 13

Sony, the consumer electronics group, suffered a 36 per cent drop in first-quarter consolidated operating income to ¥25.3bn (\$249.3m) as a result of weak demand in its main markets and the strength of the yen. Page 15

Hutchison Whampoa, Hong Kong's largest conglomerate, announced a strong turnaround in interim earnings, with net profit of HK\$2.52bn (\$325.2m) for the first half, compared with a loss of HK\$76m year on year. Page 15

Charged with murder on high seas: A 28-year-old Russian seaman from a freighter found drifting in the North Sea was charged in Denmark with the murder of five shipmates on the high seas.

Turkey seeks reopening of Iraq pipelines: Turkey is to urge the UN to lift sanctions on Iraq's oil export pipeline, in the first sign of a shift in Ankara's policy towards Baghdad. Page 3

Oil companies in Azeri talks: Negotiations have resumed between a group of eight foreign oil companies and officials from Azerbaijan over a \$9bn development in the Caspian Sea, stalled by recent political turmoil. Page 4

Texas Instruments announced plans to build one of the world's largest semiconductor plants in Dallas, Texas. Construction will begin this week. The plant is expected to cost between \$750m (\$500m) and \$1bn over the next five years. Page 14

STOCK MARKET INDICES		STERLING	
FT-SE 100	3085.5 (-0.1)	New York headline	5,394.5
Yield	3.74	London	5,394.5
FT-SE Euro Stoxx 100	1294.07 (+0.98)	DMA	1.5095 (1.5125)
FT-SE 100 Share	1294.07 (-0.24)	DNA	2.54 (2.543)
Nikkei	20,887.47 (-0.57)	FF	8.5775 (8.5825)
New York headline	5,394.5 (-1.11)	SFR	1.225 (1.225)
Dow Jones Ind Ave	3,893.75 (-1.11)	Y	104.25 (104.25)
S&P Composite	495.01 (-0.03)	Y index	81.4 (81.5)
US LUNCHTIME RATES		DOLLAR	
Federal Funds	2.75%	New York headline	1,088.5
3-mo Treas Bill Yld	3.04%	DM	1.6895 (1.6925)
Long Bond	10.5%	FF	5.8975 (5.9125)
Yield	6.21%	SFR	1.485 (1.4875)
LONDON MONEY		Y	104.25 (104.25)
3-mo interbank	5.12% (same)	London	1.6895 (1.6925)
Libor 6m 91st hour	5.12% (Sept 11/33)	FF	5.8975 (5.9125)
NORTH SEA OIL (August)		SFR	1.485 (1.4875)
Brent 15-day (Oct)	\$18.53 (18.905)	Y	104.25 (104.25)
Gold		S index	66.5 (66.5)
New York Comex (Dec)	\$374.4 (377.5)	Tokyo close Y 101.98	
London	\$373.0 (373.2)		

Austria	50.30	Germany	DM6.30	Italy	1,000.00	Spain	1,000.00	UK	1,000.00
Belgium	DM1.250	Greece	DM2.00	Japan	¥110.00	Sweden	SKr1.00	US	\$1.00
Denmark	DKr5.00	Hungary	HUF1.00	Netherlands	ƒ1.00	Switzerland	Sfr1.00		
France	FF40.00	Ireland	Ir£1.00	Norway	Nkr1.00	Denmark	DKr5.00		
Czech Rep	CzK1.00	Israel	₪1.00	Poland	zloty1.00	Finland	Fmk1.00		
Egypt	E£1.00	South Africa	Rand1.00	Romania	lei1.00	Portugal	Pt\$20.00		
Greece	Dr1.00	Sweden	SKr1.00	Slovakia	Slovak1.00	Qatar	Qr1.00		
Hong Kong	HK\$1.00	Switzerland	Sfr1.00	Slovenia	Sloven1.00	UAE	AED1.00		
India	₹1.00	Taiwan	NT\$1.00	Syria	Syria1.00	Yemen	Yemen1.00		
Indonesia	Rp1.00	Thailand	฿1.00	Turkey	TL1.00	Zimbabwe	Zim\$1.00		
Italy	₹1.00	UK	£1.00	Ukraine	Ukraine1.00				
Japan	¥1.00	US	\$1.00						
Korea	₩1.00								
Malaysia	RM1.00								
Mexico	MX\$1.00								
Netherlands	ƒ1.00								
New Zealand	NZ\$1.00								
Norway	Nkr1.00								
Poland	zloty1.00								
Portugal	Pt\$20.00								
Romania	lei1.00								
Saudi Arabia	Sr\$1.00								
South Africa	Rand1.00								
Spain	₹1.00								
Sweden	SKr1.00								
Switzerland	Sfr1.00								
Taiwan	NT\$1.00								
Thailand	฿1.00								
Turkey	TL1.00								
Ukraine	Ukraine1.00								
UK	£1.00								
US	\$1.00								
Zimbabwe	Zim\$1.00								

France launches five-year plan to create jobs

By John Ridding in Paris

FRANCE yesterday launched a five-year plan to create jobs by reducing taxes on employers and increasing the flexibility of the labour market, but leaving the social security system intact.

Rising unemployment, which currently stands at 11.6 per cent of the workforce and is forecast to reach 13.5 per cent by the end of the year, is one of the biggest problems facing Mr Edouard Balladur's centre-right RPR-UDF coalition government. Reducing unemployment is seen as central to the hopes of the conservative parties in the 1995 presidential election. Mr Michel Giraud, the

labour minister who unveiled the 55-point plan, said it was aimed at addressing the structural problems of the French labour market. It would cut the costs of hiring workers, encourage part-time employment and ease rigidities in working practices.

The principal measures include the transfer from employers to the government of social security charges for France's lowest paid workers. The transfer is expected to include employees earning up to 1.5 times the minimum wage of about FF5,900 (\$898) a month.

The plan also proposes the replacement of the 39-hour working week with an equivalent annual total to improve

the flexibility of production within industry and cut overtime payments.

Under the proposals, part-time workers will be able to increase the number of hours they work while receiving state benefits. The system of apprenticeships and training will be devolved to local government organisation.

But the measures stopped short of reforming the minimum wage, or *salaire minimum de croissance* (Smic), regarded by industrialists as an important obstacle to employment. Mr Balladur said last week he would not use "the pretext of economic crisis to reduce the protection of the least advantaged".

The measures were also limited by

budgetary considerations. Labour market analysts estimated that transferring social security payments to the state would cost about FF1.8bn this year and more than FF100bn for the five-year period. The government has forecast a budget deficit for the current year of FF31.7bn. But private sector economists, such as Mr Jean-François Mercier at Salomon Brothers, predict the deficit will be closer to FF350bn.

Economists in Paris said the plan was unlikely to have a rapid impact on the level of unemployment. "They are right to address structural issues," said one economist at a French bank, "but the Smic is untouched and the economic situation is likely to push unemployment higher for several months yet."

The stagnant state of the French economy was illustrated yesterday by industrial production figures which showed output in June had declined by 0.2 per cent from May and that second quarter production was 0.3 per cent below the first quarter.

Union leaders, who will discuss the plan with Mr Balladur next month, expressed opposition to the proposals. Mr Marc Blondel, general secretary of Force Ouvrière, described them as "dangerous". But the government's large majority in parliament suggests that significant alterations are unlikely.

Fed intervenes to stem yen's rise and lift dollar

By James Biltz in London, Patrick Harverson in New York and Gordon Cramb in Tokyo

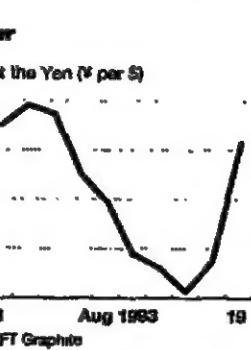
THE US monetary authorities yesterday dramatically reversed the yen's powerful rise by intervening in the foreign exchange markets and buying the dollar. The move took currency dealers by surprise.

Four interventions by the New York Federal Reserve Bank triggered a sudden surge in the dollar which earlier this week had looked set to fall through the ¥100 level. The New York Fed conducts open market operations for the US central bank.

The intervention pushed up the value of the dollar by nearly 4 per cent in four hours. Shortly after the London close yesterday, the dollar was trading at ¥105.10, having been at ¥101.20 earlier in the day. The move was a substantial one, even by recent currency market standards.

The Fed's intervention will surprise and gratify the new Japanese government, which has said for the past week that it would like central banks from other Group of Seven industrialised countries to help stem the yen's rise. The Bank of Japan bought dollars again earlier yesterday in the Tokyo market, but until now has felt friendless.

Mr Morihiro Hosokawa, sworn in as prime minister last week, spoke by telephone to President Bill Clinton during the day.



Source: FT Graphix

Among the issues they discussed was the continuing high level of Japan's trade surplus with the US, which analysts in Tokyo thought would militate against any effort by the west to ease the resultant plight of Japanese exporters. The countries are to hold bilateral trade talks next month.

In the US, Mr Lawrence Summers, the treasury undersecretary for international affairs, said the US was "concerned that the recent rapid rise in the value of the Japanese yen could retard growth in the Japanese and world economies".

Without the intervention, it is likely that the yen would have continued to rise in the wake of news that the US trade deficit had widened to \$12.06bn in June, the widest monthly trade gap since October 1987. Some analysts said the intervention, the first by the US in three months,

may have been part of a covert deal between the US and Japan which is yet to be unveiled.

Some Wall Street analysts guessed that the Fed's action was linked to a cabinet meeting in Tokyo yesterday which pledged to introduce another fiscal stimulus in the Japanese economy in the autumn. Mr Joe Taylor, a currency analyst with Technical Data, a market analysis group, said: "Possibly, the Japanese gave some sort of assurance to the Clinton administration that the structural impediments to a healthy trade relationship would be smoothed out."

Another interpretation was that, while Washington and Tokyo were still willing to let the dollar fall against the yen, they were concerned about the speed of the recent decline. An analyst at one of the largest US securities houses said: "I think the intervention is a gesture to the markets, a signal that everyone should not go too long (on) yen, too aggressively. It's a dampening move."

Yesterday's intervention prompted investors to sell Japanese government bonds in the belief that a weaker yen would reduce the chances that the Bank of Japan would cut the official discount rate.

Tokyo blitz, Page 2
US trade deficit, Page 4
Bonds, Page 16
Currencies, Second section

Barclays chooses non-banker Taylor as chief executive

By John Gapper in London

BRITAIN'S Barclays Bank yesterday ended a year of controversy over its senior management by reaching outside the banking industry for a new chief executive, appointing Mr Martin Taylor, the 41-year-old chairman and chief executive of Courtauld Textiles, to the job.

In one of the most radical corporate appointments in recent years, Barclays hired Mr Taylor, a former Financial Times journalist, to split the running of the largest UK bank with Mr Andrew Buxton, its executive chairman. British banks have appointed more executives from other industries in recent years, but Mr Taylor is the first chief executive with no banking experience. Mr Buxton said his preference had been a non-banker who could bring fresh insights.

The news was welcomed by shareholders who have criticised Barclays since it was disclosed in April 1992 that Mr Buxton would combine the roles of chairman and chief executive. The decision to split the roles was announced in January.

Mr Buxton said that Mr Taylor would have responsibility for running the bank's three opera-



Radical choice: Martin Taylor, new chief executive of Barclays

ing divisions, including its UK branch bank and BZW investment bank. He would retain primary responsibility for strategy and external relations.

Mr Buxton emphasised, however, that Mr Taylor would also have a large role in forming strategy. "There are bound to be some important strategic decisions over the next few years, and we will make them together," he said.

Mr Taylor was appointed chair-

man of Courtauld Textiles in March, but was approached by Barclays' headhunting firm in June. He said he had already intended to become non-executive chairman and seek a job elsewhere within a year.

Criticism of Barclays' management increased earlier this year when the bank disclosed that it made a \$242m pre-tax loss last year, and cut its final dividend. It announced first half profits of \$335m this month as bad debt provisions fell.

Shareholders said that while they welcomed the appointment, they wanted to know exactly what leeway Mr Taylor would have within Barclays. One investor said that it was important that Mr Taylor was given a free hand to change management.

Mr Taylor said he intended to stay at Barclays for 10 years, although he could not foresee whether he would succeed Mr Buxton as chairman. He will join the board on November 1 and become chief executive on

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Iron flat in velvet glove, Page 11
Editorial comment, Page 11
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London shares, Page 25



One of the Israeli soldiers caught in the first bomb attack is wheeled away from a helicopter at Haifa

Israel retaliates after attack

By Julian O'zanne in Jerusalem

ISRAELI warplanes blasted targets in eastern Lebanon yesterday in retaliation for a bomb attack by pro-Iranian guerrillas which earlier killed at least seven Israeli soldiers and wounded two others. It was the deadliest guerrilla attack in five years.

Last night, Jerusalem confirmed a second bomb attack on Israeli forces in the self-styled security zone in southern Lebanon, killing another soldier and

wounding two. The US said earlier it deplored the attack on the Israelis and described it as a "calculated attempt by extremists to derail the (Arab-Israeli) peace process".

Hundreds of Lebanese civilians, fearing another Israeli shelling offensive, fled their homes in the south, and the Lebanese army was placed on maximum alert.

Eight Israeli aircraft struck at positions of the Islamic fundamentalist Hizbollah (Party of

God) militia in Lebanon's Bekaa valley killing two Hizbollah fighters. The Israeli raid came hours after Hizbollah claimed responsibility for the dawn attack on Israeli soldiers in the zone Israel occupies in southern Lebanon.

Observers in Jerusalem said the Israeli strike on targets 3km west of the Syrian border was also meant as a warning to

Continued on Page 12
Israel writhes under Hizbollah goad, Page 3

MORSE

In 1976, this cost \$19,000,000.



LAST February, a Cray-1 supercomputer was auctioned for \$10.101. Installed at the Lawrence Livermore laboratory in 1976, it cost \$19m. Its processing power was equivalent to Sun's new SPARCstation 10 multiprocessing workstation (pictured above).

Now the world's fastest desktop MP workstation is available from Morse. And it doesn't need liquid nitrogen to cool it. Sun SPARCstations are designed for commercial use. They use Sun's industry standard UNIX operating system, Solaris, and run over 5000 ready made applications.

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NEWS: EUROPE

Progress claimed in VW 'spying' probe

By Christopher Parkes
in Frankfurt

GERMAN prosecutors investigating allegations of industrial espionage by senior Volkswagen employees have made progress following new clues, according to Mr Thomas Seifert, head of the economic crimes division in the Darmstadt public prosecutors' office.

His comments yesterday fuelled speculation that the criminal probe is entering a decisive phase.

Further witnesses have been interviewed, while evidence from "top-class and important" witnesses from Volkswagen has yielded nothing to persuade investigators to call off the probe, Mr Seifert said.

The investigation is believed to have focused in recent days on reports that 11 VW trainees were instructed to punch GM and Opel data into the German

group's computers at the end of March. "Naturally we are following this trail," Mr Seifert said.

Opel asked for the launch of a criminal inquiry in late April, following the defection from General Motors to VW of Mr José Ignacio López de Arriortua, GM's global purchasing director, and several colleagues.

Opel supported its suspicions with affidavits relating to missing secret data.

Volkswagen claims that no secret information has made its way into the group's possession, although it admitted earlier this month that "possible confidential" material had been destroyed on company property.

Mr Georg Nauth, official spokesman for the investigating team, said investigations so far had confirmed testimony from Adam Opel, the German subsidiary of General Motors.

This included findings made since an official statement, made on July 22, linked Mr López and his associates with confidential data found in a Wiesbaden house.

However, Mr Nauth denied press reports that investigators had established "without doubt" that the VW trainees had copied Opel secrets into the VW database.

Mr Nauth refused to name any VW witnesses, although he said Mr López and three associates under investigation had not been interviewed yet. Mr Ferdinand Piëch, VW group chairman, had not been called "because he is not a suspect", he added.

The "top-class" witnesses referred to by Mr Seifert are known to include Mr Daniel Goeudevert, a former VW director, and Mr Klaus Liesen, chairman of the group's board of supervisors, who are also not among the suspects.

Rexrodt seeks road to peace for car makers

By Christopher Parkes
in Frankfurt

MR Günter Rexrodt, the German economics minister, has had almost three weeks in which to reconsider his impulsive hint that he might be prepared to act as middleman in the industrial espionage row between Volkswagen and Adam Opel, the German subsidiary of General Motors.

On Tuesday night he was given food for thought in an hour-long meeting with Mr David Herman, the beguilingly mild Opel chairman. They had a "good talk" on matters of a "non-communicable nature", according to official statements. The minister will hear from VW's Mr Ferdinand Piëch at a similar private session today.

Signs of potential misunderstandings were already apparent as this week's meetings were announced. Mr Rexrodt's office was careful to stress that the minister's aim was to gather information, while VW tried to suggest the talks were in some way a continuation of Mr Piëch's own peace-making initiatives.

These started with an abortive attempt to heal the breach with Mr Jack Smith, GM president, after a nasty exchange at the end of last month.

The VW chairman's suggestions at a press conference,



Piëch: cold-shouldered by GM

laced with war-like, xenophobic overtones, that Opel secrets had been "planted" on his new employees and in VW computers, had earned him the riposte from GM that his ideas were grotesque and that his grasp on reason might be less than secure.

A telephone call to Mr Smith was rewarded with the cold shoulder.

Mr Piëch might communicate in writing with Mr Herman, but he had to retract his charges first, he was told. A

telephone call from Mr Piëch to Mr Rexrodt, who had appealed for more moderate language and warned against damaging Germany's international image, was the cue for this week's interviews.

Both sides, the government, and other German motor makers have reason to be worried. Although it is understood Washington does not see any immediate danger to inter-governmental relations, the fact that the US Justice Department has begun an investigation into the case is reason enough for concern.

Future US sales prospects for German car makers, not least VW itself, may also be at stake. BMW and Mercedes-Benz are at or beyond the point of no return on their first-ever investments in US car plants. Mr Rexrodt is also confronted by a mood approaching panic in some sectors of the domestic vehicle components industry, caused partly by VW's draconian price-cutting demands.

However much the minister may wish for calm, his half-hearted mediation effort came too late. Mr Rexrodt appears to believe that it is best if both sides agree to keep quiet and let the criminal investigations proceed.

Volkswagen pre-empted his wishes last weekend when it said it was withdrawing from the war of words.



The UN effort in Bosnia: some success in Sarajevo but the sieges spread

Sarajevo

This city is now better supplied than many 16 sq-ft a day are providing almost all of the nearly 5,000 tonnes of food the UN estimates is needed each month. Fuel, medical supplies and water remain low, but six had convoys reached the city last week, enabling water pumps to start working.

Srebrenica, Gorazde and Zepa Food convoys are reaching the 60,000 people in the Muslim enclaves of Srebrenica and Zepa, surrounded by Serbs. Civilian protesters have been blocking some convoys to Gorazde, but air drops are providing basic supplies to the 70,000 there. Srebrenica still faces severe water problems, and there is serious over-crowding in all three towns.

Banja Luka region Conditions in this Serb-held area seem relatively stable, although reports suggest "ethnic cleansing" continues, with large refugee movements. Convoys reach the city easily, and a key UN warehouse has been established in the city.

Tuzla Despite concerns about the largely Muslim population, which is partly surrounded by Serb forces, food convoys are reaching the area. There is a large UN warehouse.

The Bosnian government yesterday called on the UN to open the road to Mostar, where 35,000 Muslims have been trapped for 100 days by fighting between Croats and Muslims. For their part, UN officials reiterated that, without rapid widespread aid, Bosnia could soon face an even more severe humanitarian crisis. Though the siege of Sarajevo had been the main focus of attention, UN officials said the biggest problem now was fighting in central Bosnia. It was little-known regions such as Maglaj, Jablanica and Mostar that were the new trouble spots.

An official said: "All over Bosnia there are tiny pockets that the outside world just doesn't know about. There the humanitarian conditions are terrible."



Maglaj

This isolated Muslim enclave has been cut off for several weeks by Serbs and Croats. There is deep concern about the estimated 40,000 Muslims here.

Tarčin and Jablanica Fighting between Croats and Muslims has left these Muslim-dominated towns severely short of food and water. Despite one food convoy getting through recently and some air drops, the situation is reported as serious.

Mostar A Croat offensive has prevented aid from reaching the city for 100 days. Its 30,000 odd Muslim inhabitants are reportedly becoming critically short of food and water. There is Red Cross concern about detention camps near the city.

Vares The Croat enclave faces severe problems of overcrowding: originally supporting some 7,000 people, it is reported to have more than 20,000 refugees living in precarious conditions. The UN is attempting air drops.

Gornji Vakuf region Renewed fighting between Muslims and Croats has isolated many communities. After UN officials were recently attacked, aid groups say the area is becoming too dangerous to operate in.

Izetbegovic expects no quick deal

By Laura Silber in Geneva, Michael Littlejohns in New York and Chrystia Freeland in Moscow

BOSNIA'S President Alija Izetbegovic yesterday dismissed hopes of a quick settlement to the 17-month war after the presidents of Serbia and Croatia joined talks on the republic's ethnic partition.

"I do not expect the successful conclusion of negotiations very soon," he said after almost five hours of meetings with his Serb and Croat adversaries.

His remarks came as the Serbian president, Mr Slobodan Milosevic, and his Croat counterpart, Mr Franjo Tudjman, returned to Geneva to join all-party talks, in a move which was hoped would give fresh impetus to the peace process.

Earlier Lord Owen, the international mediator, indicated he was making a final push to broker an accord "in the next few

days" - although he conceded that problems remained over the boundaries of the future partitions.

"We've got a very real problem on the map," said Lord Owen, who hoped it could be resolved in days.

Mr Izetbegovic, a Muslim, yesterday repeated that he would refuse to endorse any peace agreement that had not been previously approved by the Bosnian parliament, and demanded that the Serb forces lift their siege round Sarajevo.

In spite of Wednesday's agreement to place Sarajevo under UN administration the siege of Sarajevo remained in place, Mr Izetbegovic said.

The United Nations yesterday confirmed that a few Serb troops remain on the strategic Mount Igman, but a spokesman said they posed no real threat.

But with the threat of air strikes now receding, a UN spokesman in New York

last night emphasised that although the UN now has the capability to use air power, this does not mean such action is imminent. That decision rested with Mr Boutros Boutros Ghali, the UN secretary general, and still had not been made, the official Mr Joe Silis said.

But as a sign of the diplomatic pressure against air strikes, Russian President Boris Yeltsin yesterday took credit for the fact that neither the UN nor Nato had employed force against Serbia and suggested that it may soon be possible to lift sanctions against Serbia.

"It will be necessary to reconsider the sanctions against Yugoslavia," Mr Yeltsin told a press conference in Moscow, if current negotiations "continue to proceed normally". Russia, a traditional ally of Serbia, has repeatedly indicated in recent weeks that it was uneasy about the threat of air strikes.

Oil companies resume Azeri talks

By Deborah Hargreaves

NEGOTIATIONS have reopened in London between eight foreign oil companies and officials from Azerbaijan over a \$9bn oilfield development in the Caspian Sea. The Azeri government is understood to have agreed that the project be discussed as a joint development between the companies, rather than holding separate negotiations for the three fields, estimated to contain 4.5bn barrels of oil.

The talks had been put on ice during the political upheaval in Azerbaijan in June

Azerbaijan yesterday announced that Armenian forces captured the strategic southern city of Ceybrayil and were within striking distance of the Iranian border, writes Chrystia Freeland in Moscow and agencies.

If the Armenian forces - pushing down from the disputed enclave of Nagorno-Karabakh - reach the border they will cut off a huge swathe of southern Azerbaijan. According to a statement released by the Azeri, Armenian forces are advancing toward the town of Goradiz, just 5km from Iran. Armenia's capture of Ceybrayil is the most recent in a series of Armenian victories.

when the republic's leader, Mr Abulfaz Elchibey, fled the capital and was replaced by Mr Gaidar Aliyev, an official from the Breshnev era. Mr Aliyev officially relaunched the negotiations 10 days ago in Baku,

although the companies had been talking to Azeri officials in New York in the interim. Mr Aliyev said he would like to see a deal agreed by the end of September, but many details must still be finalised. The

Azeri delegation in London is led by Mr Marat Manafov, an Azeri businessman with strong links to the west. He is being advised by seven oil industry experts from the US, Canada and the UK.

Mr Aliyev is understood to have offered either to return a \$70m pre-payment made by the companies or to offset it against future costs. The companies are also talking about an export pipeline route.

The companies involved in the talks include: Amoco, British Petroleum, Statoil, Pennzoil, Ramco, Turkish Petroleum, Unocal and McDermott.

NEWS IN BRIEF

Yeltsin renews push for early elections

By Chrystia Freeland in Moscow

THE Russian president, Mr Boris Yeltsin, yesterday stepped up his campaign to force parliamentary elections, announcing a two-month strategy to out the existing, conservative legislature.

At a press conference held to celebrate the second anniversary of the failed coup, Mr Yeltsin said parliament was blocking the economic reforms made possible by the victory of pro-Yeltsin forces in August 1991.

But Mr Russian Khasbulatov, chairman of parliament and one of Mr Yeltsin's most bitter opponents, vowed that early autumn elections will not take place. The existing Russian constitution makes no provisions for calling a poll before the current legislature's mandate expires in 1995.

Ukraine's currency plummets The Ukrainian currency yesterday plunged in value against the dollar, plummeting to less than one-third of its previous value, writes Oleh Mamaiev in Kiev.

Officials attributed the devaluation at the central bank's hard currency auction as a reaction to new regulations which oblige Ukrainian exporters to sell 50 per cent of their hard currency earnings to the government at the fixed rate of 5,870 coupons to the dollar. Western economists believe the Ukrainian economy moved into hyper-inflation in June. In yesterday's trading the Ukrainian coupon fell to 19,050 against the dollar, from last week's level of 5,970.

Hungary shows signs of recovery Hungarian industry is showing the first signs of recovery after four years of recession and stagnation, according to government figures published this week, writes Nicholas Denton in Budapest.

Industrial production grew 5.5 per cent in the year to June, taking activity back up to the levels of two years ago. There was a 5.3 per cent leap in the month to June. However, industrial production remains more than 30 per cent down on the late 1980s and disappointing export statistics clash with the latest indications of stronger economic activity.

Italian funding repayment offer Former Italian health minister Francesco De Lorenzo, one of the most reviled figures in the country's huge corruption scandal, was quoted yesterday as offering to repay L4bn (£1.67m) in illegal funding he received, Reuters reports from Rome. "The illegal contributions amount to some L4bn. I will give them back, selling what I can," he told the Corriere della Sera newspaper in an interview.

Greeks end stand-off with king Former King Constantine said yesterday that the Greek government had agreed to withdraw two navy ships and an air force aircraft that had been escorting a yacht he had rented for a family holiday, Reuters reports from London. Constantine told the BBC that he had agreed to stay away from two towns in the Peloponnese peninsula, as demanded by the government, and in return the ships and aircraft would leave him alone.

Bundesbank's money target missed again

By David Waller in Frankfurt

GROWTH in German money supply has exceeded the target range set by the Bundesbank for the fourth consecutive month.

According to provisional figures, M3 - which comprises cash in circulation as well as savings and short-term time deposits - grew at 7.5 per cent in July on an annualised, seasonally adjusted basis. This follows growth of 7 per cent in June and compares with a target range of 4.5 to 6.5 per cent.

Although the headline figure was in line with the expectations of economists, there was disappointment about a sharp, 8 per cent rise in bank credits to companies and private individuals over the past six months.

This is an increase from the

7.6 per cent growth rate in the six months to July. Economists said that the August M3 was likely to climb still higher, reflecting Bundesbank currency interventions.

The disappointing July M3 figure was released just a week before the Bundesbank's policy-making council meets on August 26 to consider whether monetary conditions warrant additional interest rate cuts.

Yesterday Mr Helmut Schlesinger, the Bundesbank president, warned of the "grave disruptions" which can occur on financial markets if high expectations of interest rate cuts are not fulfilled.

In remarks reported by a German news agency, he said that the currency market upheaval of recent weeks "should make it clear to everyone" what happens when mar-

kets are fed with unrealistic expectations.

Alice Rawsthorn in Paris adds: Mr Jacques Delors, president of the European Commission, yesterday criticised Chancellor Helmut Kohl for suggesting that the EC might have to delay the timetable for monetary union.

Mr Delors said that the chancellor's remarks had "added to the doubts" on monetary union.

Germany tied by its own policies

By Quentin Peel in Bonn

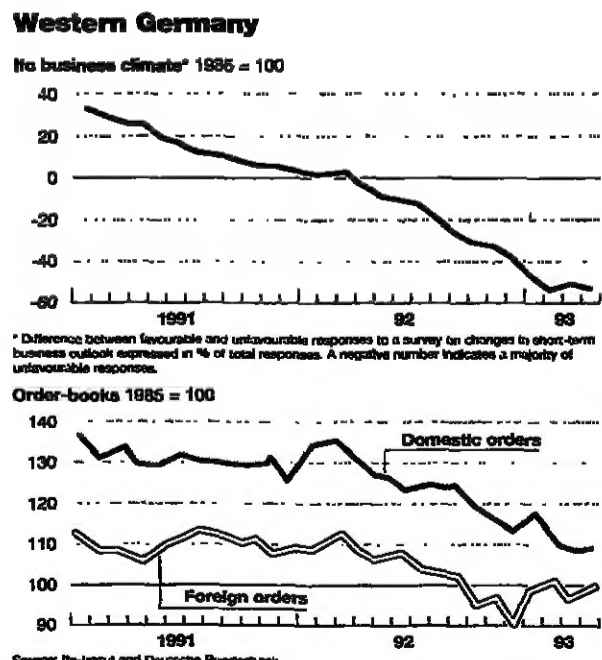
THE key to turning round the recession in Germany lies in export markets: on that, the Organisation for Economic Co-operation and Development, the Economics Ministry, and the country's main economic institutes are agreed. They are not sure, however, when the real return will come, and how strong it will be.

Moreover, there is a clear relationship between policies intended to tackle domestic problems and the health of Germany's main export markets. The Bundesbank's strict monetary stance, designed to stabilise inflation and maintain D-Mark stability, has been a deciding factor in the stagnation afflicting other European Community economies.

At the same time, the D-Mark's strength is an important factor militating against a rapid recovery of German exports.

The latest OECD report sums up neatly the arguments of optimists and pessimists. The former, it says, "expect declining German interest rates will quickly lead to lower rates elsewhere, and thereby stimulate European activity, and hence the demand for German exports".

They argue that recent losses of export market share can be attributed more to the high proportion of investment goods in German exports than



to their relatively high price.

Pessimists, on the other hand, fear that expensive German exports will continue to lose market share in 1994. They blame the rise in wage costs and D-Mark revaluation, especially against most of the other currencies in the European monetary system.

The OECD errs on the pessimistic side: it forecasts export growth next year at 2.3 per cent, compared with 3.8 per

cent suggested by the economic institutes, and the Economics Ministry's 4 per cent. That is against a background of 2.5 and 5 per cent expected growth this year and next in Germany's main export markets. The OECD suggests that higher wages and the strong D-Mark this year add 5 per cent to relative unit labour costs in manufacturing, calculated in a common currency. That should

subside to under 1 per cent in 1994, as the D-Mark stabilises and more moderate wage deals work through the system.

The report also points to important changes in the composition of Germany's balance of payments, which led to a huge swing into deficit on the current account in the aftermath of unification. Between 1989 and 1992, the current account deteriorated by DM147bn, a swing from a surplus equal to 5 per cent of GDP, to a deficit of 1.5 per cent.

Main factors were a surge in imports (largely unification-related) and much more modest growth in exports. The deficit on invisibles also widened for four reasons: soaring tourism payments; a sharp drop in net investment income, as appreciation of the D-Mark meant large valuation losses on foreign assets; loss of military receipts with the withdrawal of allied troops; and rising net transfers abroad.

"As long as eastern Germany's investment needs continue to outstrip its domestic savings ability, and the required 'external' funds are not provided through expenditure switching in western Germany, the external current account deficit may be expected to remain in deficit," the OECD concludes.

The OECD is loath to criticise any German institution too openly, but it does allow some questions about the ade-

quacy of the Bundesbank's M3 measure of money supply to creep into its analysis, and therefore some implicit questioning of the strictness of its interest-rate straightjacket.

It also points out that inflation has been caused by several factors which do not respond easily to the Bundesbank's lead interest rates: tax-push effects and administrative price rises in east Germany; service sector inflation; and structural excess demand in the housing market, forcing up rents and construction costs.

It urges the central bank to use all its room for manoeuvre to keep cutting interest rates, suggesting a decline to 5 per cent on short-term rates by the end of 1993, and to 4 per cent by the end of 1994.

As for the federal government, the criticism is mainly of past policy failures. The OECD economists say the costs of unification were not seen in time, and the fiscal adjustment was also far too late.

The solidarity pact negotiated last March has gone some way to stabilising state spending and the rising deficit. But it relies too much on increasing direct taxation from 1995, too little on cutting subsidies in the west. The latest DM21bn savings package in the west is much more like a concentration on expenditure, not taxation.

Editorial comment: Page 11

French prepare financial reshuffle

By John Riddling in Paris

THE top echelons of France's financial administration are preparing for a round of musical chairs following Mr Jacques de Larosière's appointment as head of the European Bank for Reconstruction and Development.

The most important move will be a replacement for Mr de Larosière as governor of the Bank of France. The central bank is in the process of being granted autonomy in the formulation of monetary policy and the new government will take control at a particularly difficult time following the European currency crisis which has resulted in the effective flotation of the French franc.

The favourite for the post is Mr Jean-Claude Trichet, currently director of the French Treasury, the most powerful civil service post in France's financial administration. His selection as head of the central bank would trigger a further reshuffle within the Treasury. The decision on the next central bank governor will be taken by the cabinet and President François Mitterrand meeting as the council of ministers on August 25. But bankers and diplomats in Paris say that Mr Trichet faces little opposition for the post.

"He would seem to be the natural choice," says one French banker. "He has the right background and the right views." Mr Trichet served as senior aide to Mr Edouard Balladur, the current prime minister, when he was economics minister in 1986 and 1987.

The implementation of laws granting the central bank independence in monetary policy expected by the end of the year. The French government has prompted the reform in order to strengthen the financial authorities' and international credentials. But the task of maintaining a tight monetary policy will be complicated by pressures for more expansionary policies to help stimulate the economy and by the increased instability of the franc resulting from the ERM reforms.

Should Mr Trichet become the governor of the Bank of France, there is no clear candidate to replace him as head of the Treasury. One name mentioned in French financial circles is that of Mr Christian Noyer, the chief of staff of Mr Edouard Balladur, the economy minister.

Overnight rate cut in France

By Alice Rawsthorn in Paris

THE Bank of France yesterday continued its cautious repair of the damage caused by the European currency crisis by lowering overnight interest rates for the fourth time in 10 days. The rate was trimmed by half a point to 8.25 per cent.

However, the bank left its key intervention rate at 6.75 per cent and also held the 10 day lending facility at 10 per cent. Economists suspect that the French are awaiting the outcome of next Thursday's meeting of the Bundesbank council.

Although the franc has stabilised this week, the central bank's own financial position still shows the strain of the crisis. The bank yesterday disclosed only a slight reduction in the deficit on its foreign currency reserves, to FF118bn in the week to August 12 from FF128bn in the previous week.

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Tokyo orders blitz against regulations

By Gordon Cramb in Tokyo

JAPAN'S new coalition government promised yesterday to produce within a month an emergency programme aimed at deregulating the economy.

Its intention is both to curb the rise of the yen and ensure that the benefits of the currency's present strength are felt by consumers.

Each ministry is being told to identify regulations that could be lifted to achieve these ends - ranging from import barriers to price controls. The electricity power federation last night yielded to official pressure to cut its charges, in order to reflect cheaper imported energy.

The initiative, decided at the first meeting yesterday of a special ministerial council on the economy, followed persistent calls for action under the twin burdens of a prolonged slowdown at home and a currency squeeze on export earnings.

The move also reflects the wish of Mr Morihiro Hosokawa, who became prime minister last week and chaired yesterday's meeting, to tilt the balance of economic power in Japan from producer to consumer.

His seven-party administration was elected on a platform of political reform, but Mr Masayoshi Takemura, its chief spokesman, acknowledged yesterday that the state of the

economy and the foreign exchange markets meant "we are now snowed under by these daily issues instead".

Mr Hosokawa later met Mr Gaishi Hiraiwa, chairman of Keidanren, the largest business federation, and agreed the yen had gone further than economic fundamentals justified.

The government appeared not yet to have decided whether the measures put in train yesterday, which it said would be ready by September 20, should include a fiscal stimulus. Mr Takemura said only that ministers would seek to ensure that two packages of public works spending and tax cuts, unveiled in the past year by the previous Liberal Demo-

cratic government and totalling ¥22,900bn (£157bn), had their desired effect.

By contrast, the electric power federation said its plan to cut consumers' bills would put just ¥150bn into the economy.

Mr Hirohisa Fujii, finance minister, endorsed the view expressed on Wednesday by Mr Yasushi Mieno, governor of the Bank of Japan, that no further cut in the central bank's official discount rate from its present 2.5 per cent was yet needed.

Mr Takemura admitted that there were "wide-ranging viewpoints" at the meeting.

Ms Manae Kubota, director general of the economic planning

agency, said the EPA would not withdraw a declaration made in June that the economy had bottomed out, although acknowledging "new unfavourable factors". These included the dampening effects on consumer spending of a cool summer, as well as the impact on international competitiveness of the yen's further rise.

Mr Fujii, citing the same factors, said they made the outlook "even more austere". The best way to deal with it was by passing on its benefits to consumers, he added. The yen fell against the dollar after the meeting, closing in Tokyo at ¥101.98 after trading as high as ¥101.10. It was down ¥0.51 on the day.



Ms Manae Kubota: "New unfavourable factors"

Turkey wants to open Iraq oil pipe

By John Murray Brown in Ankara

TURKEY is to urge the UN to lift sanctions on Iraq's oil export pipeline, in the first sign of a shift in Ankara's policy towards Baghdad.

Mr Vuklan Vural, senior adviser to Prime Minister Tansu Ciller, said yesterday reopening the Iraqi pipeline was the foreign policy priority, and would be the centre of discussion when Mrs Ciller goes to Washington next month. Although Turkey insists it is not considering unilateral action on lifting sanctions, Mrs Ciller's government has adopted a more conciliatory approach, in contrast to President Suleyman Demirel, who made oblique criticism of the government this week.

"Have sanctions removed Saddam Hussein or have they led to the suffering of the Iraqi people?" asked Mr Vural.

A recent report from the Food and Agricultural Organisation estimated Iraq's food import needs at around \$2.5bn (£1.7bn), and warned that pre-famine conditions now prevailed.

However, Turkey is equally anxious that the current crisis should not jeopardise its long-term economic relations with Iraq, which before the Gulf war was its second largest trade partner. There is also concern at the deteriorating state of the pipeline, which has been shut since August 1990, when under resolution 661, Turkey informed the Iraqis it was suspending oil shipments at Yumurtalik, Turkey's Mediterranean oil terminal.

The two pipelines have a capacity of around 700 tonnes a year, and link with Iraq's Kirkuk oil fields. Turkey is losing an estimated \$750,000 a day as a result of the closure. More than that, the sanctions have devastated the border trade with Iraq that is vital to Turkey's impoverished south-east. "The members of the Security Council should understand that it is unfair to make Turkey suffer for this," Mr Vural said.

Turkey is launching "extensive discussions" with its allies, he said, and would present its proposals when the UN Security Council met on Iraq on September 20.

US jets raid north Iraq missile site

By Our Middle East Staff

US AIRCRAFT attacked and destroyed an Iraqi missile position just west of the northern city of Mosul yesterday, according to the Pentagon in Washington.

Six aircraft were involved in the attack, which was made in response to the launching of two Sam-3 missiles. The US statement did not say whether the missiles had been aimed at the aircraft.

An Iraqi spokesman in Baghdad claimed that the US attack had been unprovoked and his anti-aircraft battery had opened fire in self defence. He added that a soldier and a civilian had been wounded.

Mosul is within the air exclusion zone north of the 36th parallel, which US aircraft patrol daily to protect the Kurdish population. The northern "no-fly" zone was imposed more than two years ago.

Israel writhes under the goad of Hizbollah

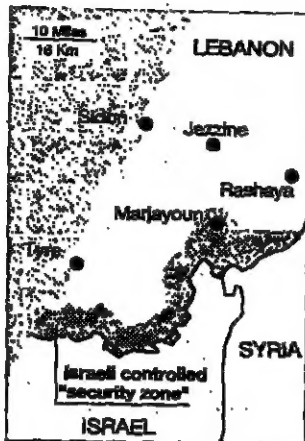
Armed conflict risks overtaking diplomatic peace efforts, writes Julian Ozanne in Jerusalem

ISRAEL'S problems in southern Lebanon refuse to go away. Just as the Jewish state was congratulating itself on last month's devastating seven-day offensive against Lebanese civilians, intended to curb attacks by the pro-Iranian Hizbollah militia, an increase in regional violence is back on the agenda.

The death of at least seven Israeli soldiers in southern Lebanon yesterday in Hizbollah attacks, followed by immediate retaliatory strikes by Israeli aircraft, has underlined the continuing fragility of the region.

It has also raised the prospect of armed conflict overtaking diplomatic peace efforts and re-opening the fault lines between Israelis who argue for a more intensive peace drive and those calling for tougher military measures.

Once again violence in southern Lebanon is driving



Mr Yitzhak Rabin, Israel's prime minister, to weigh up (for the second time in a month) whether to pursue the diplomatic track or risk scuttling peace talks by more serious military action.

Suspensions that Syria, the

main power-broker in Lebanon and the arms conduit to Hizbollah, tacitly allowed yesterday's attacks have also dented recent Israeli hopes of a real change in relations with Damascus. Israelis point out that yesterday's attacks came after Syria reprimanded the Lebanese government for deploying troops in southern Lebanon - a move which could have restricted Hizbollah activities.

For 15 years, Israel, in defiance of UN resolutions, has been trying to "purge" Lebanon of hostile Arab guerrillas. Today that goal is as elusive as it was when Israeli soldiers first crossed in substantial force into Lebanese territory in 1978, and later, in 1982, marched all the way to Beirut.

Indeed, many Israeli military experts believe the country is now facing its most effective enemy in Hizbollah, which took over resistance to Israel

after most Palestinian guerrillas were forced to flee Lebanon during the 1982 Israeli invasion.

This year alone there have been more than 600 attacks on the self-styled Israeli "security zone" in southern Lebanon. Yesterday's incident brought the casualties for 1993 to at least 16 soldiers killed and 29 wounded. Furthermore, Israeli military analysts say the highly mobile Hizbollah is much better armed this year, with Iranian supplied Sagger anti-tank missiles and Strela shoulder-mounted anti-aircraft missiles. With the assistance of Iranian officers, it is also better trained.

The Israeli public has come to expect revenge attacks and the pressures for serious military action is especially intense given that the government has been telling the public that last month's offensive, in which 130 Lebanese were

killed, was a decisive blow against Hizbollah.

Mr Rabin, a former army chief who embodies the belief that diplomacy must be backed by force, will also come under intense lobbying from military hardliners and Israeli hawkers led by Mr Ariel Sharon, the former defence minister responsible for the disastrous 1982 invasion.

Mr Sharon has called for an expansion of the security zone by the creation of a "supplementary zone" between the Litani and Awali rivers where Israeli troops and their Lebanese proxies would have freedom of action without maintaining a military presence. "Villages in the zone which have concealed terrorists for years should no longer be left standing," he wrote recently.

Few Israelis back Mr Sharon's military adventurism.

Most fear being sucked into another Lebanese quagmire like the 1982-83 campaign, where 454 Israeli soldiers died and thousands were wounded.

But many also believe that Israeli aerial and artillery retaliation leave the underlying problems unsolved. Some hardliners, therefore, see an answer to the problems in suspending peace talks with Syria.

"More Israeli retaliation is futile. We should tell Syria to go to hell," said Brig Gen (Res) Aharon Levran, former deputy head of military intelligence. "Hizbollah is a whip in Syrian hands to hurt Israel and we should not talk peace with them any more. The problem is that this government wants peace at any price. They want to put their names in the annals of history and they don't give a damn about the true and cruel realities."

However, a majority of the government and the public still

Setback for Taiwan president

TAIWAN'S President Lee Teng-hui yesterday suffered a setback in his efforts to replace conservatives on the ruling Kuomintang or National party central committee with more progressive politicians, writes Dennis Rugeley from Taipei.

Of the president's 210 nominees for the central committee, 58 lost in the elections at the party's 14th congress.

Mr Hsieh Shen-shan, deputy secretary general of the party, said that, "facing a new situation and fierce competition" the fact that 72.3 per cent of nominees were elected "was a success".

But conservative delegates critical of Mr Lee gained between 35 and 40 seats on the central committee.

This showing should be sufficient to secure several seats on the central standing committee, the Kuomintang's top policy-making body, which the central committee will elect next Monday.

New currency for Turkmenistan

The former Soviet republic of Turkmenistan yesterday announced it would issue a national currency at par with the dollar on November 1. Renter reports from Moscow.

President Saparmurad Niyazov, of the Central Asian republic, which is the world's third biggest gas producer, said Russian roubles would be gradually replaced at an exchange rate of 1,000 roubles to each unit of the new currency, the manat.

Mr Niyazov, quoted by the Russian Interfax news agency, did not say how the government would back the manat at this rate, or how much Turkmenistan had in foreign currency reserves.

Mr Niyazov promised that the minimum monthly wage would be 150 manats and average pay the equivalent of \$370 to \$400 after the exit from the rouble zone takes effect.

UN agrees new aid for Angola

The United Nations yesterday agreed fresh aid for Angola, as the government reported that people were starving in the besieged city of Cuito. Renter reports from Luanda. The UN World Food Programme said it would mount a six-month \$54.7m (£38m) emergency operation for nearly 2m people in Angola.

The WFP had suspended flights to many cities for several weeks, including Cuito, because of attacks on its aircraft by UNITA rebels, but a WFP spokeswoman said aid flights had resumed this week and the agency was increasing overland deliveries.

Indian TV launches a real carry-on

Producers' fight for air time descends into farce, writes Shiraz Sidhva

THE launch of five new television channels last Sunday - Independence Day - gave Indians a freedom long denied them by Doordarshan, the country's state-owned broadcaster.

It was responding belatedly to the challenge of Star Television, the Hong Kong-based satellite broadcaster which has attracted a huge audience in India with its five channels: entertainment in English and Hindi, an Asian version of the MTV music channel, sport and BBC World Service Television.

However, the new offerings from Doordarshan, an unwieldy, bureaucratic organisation which previously had only two terrestrial channels, did not begin auspiciously.

Those fortunate enough to have an additional satellite dish jeered the menu of old Indian films and dated programmes from the archives.

In line with the government's programme to open up the economy, the launch of the satellite network using India's new Insat-2B satellite had been intended to coincide with much greater use of privately produced material. But Doordarshan's attempt to offer slots to producers on a first-come-first-served basis has descended into farce.

Fearing they would be elbowed out by a rush of more aggressive bidders, seasoned producers, such as Mr Pranay Kumar of New Delhi Television and Mr Ishwari Bajpai of Octave Communications, deputed employees to queue outside Doordarshan's commercial office on Delhi's Tol-



Production company employees queue for days for slots on the new satellite TV service

stoy Marg on June 23, nearly two weeks before what was then the applications deadline. The queue became longer by the day as more than 300 people braved the monsoon rain. Producers say their men have been offered up to Rs50,000 (about £1,000) to relinquish their places.

Those left out took the matter to the courts. Bennett Coleman, owners of Times Television and the Times of India group of publications, challenged the queue's validity. An interim district court judgment ordered police to dismantle it, allowing it to be re-formed two hours before the opening of the applications counter.

The queue refused to disperse. Mr Roy went to the Delhi High Court, which appointed a registrar to verify the truth. Prominent film and television personalities, such as Bombay film producers Rameshwar Sagar and Saeed Mirza, and television magazine producers Madhu Trehan and Karan Thapar, have turned the sidewalk into a tourist attraction.

Two parallel queues have formed, one of which includes representatives from newspapers including the Indian Express, Times of India, and Hindustan Times. The battle, waged with equal ferocity in the courtrooms as in the col-

umns of the newspapers, remains unresolved.

The Information and Broadcasting Ministry, however, had promised to launch the new channels on Independence Day. It was forced to assure the courts that it would use only in-house programming.

Doordarshan is finding it difficult to keep pace with the appetite of the new channels. "It's like expecting a roadside food vendor to cater to a five-star hotel clientele," says a senior official.

Doordarshan is paying for its dismissal two years ago of Star TV as a "one-day wonder", a luxury that only a handful of the country's elite would be

able to indulge in. Star TV, 64 per cent of which was recently bought by Mr Rupert Murdoch, now has an Indian audience of 16.8m. Though Doordarshan's reach remains enormously bigger than Star's, the Hong Kong-based network will be the biggest competitor for advertising revenue.

Other adversaries are emerging in Asian skies, including: a consortium comprising Time Warner's HBO Asia, with access to Warner Brothers and Paramount films; Turner Broadcasting Systems, which owns CNN; ESPN International, the sports network; Viacom, owners of MTV; Australia's AUSTV; and Hong Kong's TVB.

The Asia Television Network, which has a bank of more than 3,000 Hindi films through an arrangement with Cable Master, a video film company, and a tie-up with Sun TV of Madras to screen films in regional languages.

Regional language channels such as Asianet, which will beam programmes in Malayalam, the language of Kerala, starting on August 29, through transponders hired from the Russian Ekran satellite.

"Even three years ago, we had the chance to lead the wave of government deregulation and enhanced technology in Asia, but we did little to capitalise on it," admits a Doordarshan official. "Now that we have woken up to the fact that Asia is indeed television's most exciting frontier, and India is one of its largest audiences, we will have to make up for lost time."

Indonesian finances hit by yen surge

By William Keeling in Jakarta

INDONESIA may suffer a 10 per cent financing gap in its annual budget as a result of the Japanese yen's appreciation and lower than expected oil prices.

Economists estimate that 40 per cent of Indonesia's \$55bn (£37bn) foreign public debt is denominated in yen. Interest and principal repayments for fiscal 1993 were budgeted at \$8bn but with the yen's appreciation could rise to nearly \$9bn, say economists in Jakarta.

While about a third of Indonesia's exports go to Japan, the three main items - oil, liquefied natural gas and plywood - are traded in US dollars. Indonesia, therefore, has to buy yen to service its yen-denominated debt.

Meanwhile, the average oil price since April has been less than the \$18 per barrel assumed under the 1993 budget.

Aids saps the vitality of Uganda's economy

Leslie Crawford reports on the many family tragedies making a national disaster

NAKABUBI's village was in mourning last month. Nobody grieved for the death of yet another AIDS victim more than this 31-year-old widow. Her husband had already died of AIDS, and this latest victim was godfather to her youngest son. He had promised to help with school fees. Now he is dead, Nakabubi must struggle alone.

Most of the widows in villages across western Uganda have lost their husbands to AIDS. And in a country where women are regarded as chattels, widows often lose more than just their husbands.

Another widow, Mabel, was evicted from the family home by her in-laws when her husband died in 1990. They also sold her cows, "to pay for my husband's hospital bills". When she clung to a small banana plot, her brother-in-law stole the harvest. When she, too, fell sick, the same man took her four children away. "If I could only earn a little money," she says, "I could get my children back. Give them love while I live."

The southern districts of Masaka and Rakai, once known as the gra-

nary of Uganda, bear the heaviest burden of the AIDS epidemic outside Kampala, the capital. Out of the 38,532 AIDS cases reported in Uganda by the end of last year, almost 8,500 were in these two districts.

Every family knows of a relative or a friend afflicted by the condition. Production of the two main cash crops, coffee and bananas, is dwindling because AIDS is attacking adults in the prime of life. Often, the surviving partner also has the virus and chooses to expend his or her dwindling energies producing food crops for the family's subsistence.

Health workers in Masaka say the disease is killing what was a thriving market town. "With fewer farmers coming to market, the town merchants are going out of business or cutting their losses by moving to Kampala," says Mr Elias Mugisha, an AIDS counsellor who works for TASO, a Ugandan non-government organisation which cares for AIDS and HIV sufferers.

The World Bank, which plans to finance a study on the impact of AIDS on the Ugandan economy, estimates

AIDS-related deaths will reduce Uganda's population growth rate from 3.7 to 3.1 per cent from 1985 to the turn of the century. The crude death rate, which at 20 per 1,000 is already twice the average among low-income countries, is likely to rise to 36 per 1,000 during this period.

The deaths are sapping the strength of Uganda's predominantly rural economy. "Agriculture is suffering," says Mr Keith Muhakanzi, an economist at the Finance Ministry. "As yet, I don't have macro-economic data to sustain this assertion, but a trip to any village will bear this out. Cash crops are being abandoned in favour of essential food crops as labour loses productivity."

Exports of coffee, Uganda's main cash crop, have fallen from a recent peak of 176,453 tonnes in 1989 to 123,883 tonnes last year. But low commodity prices and bad weather have also contributed to the decline.

Beyond issues of output and productivity, Mr Muhakanzi says the cost of caring for AIDS patients is eat-

ing up people's savings, leaving less to invest in economic development.

Government and non-government organisations report that families resent spending their meagre resources on medication for patients they know will die. Where charities try to provide bed sheets and other basic comforts for AIDS sufferers, they often find that relatives sell the donated goods to recoup the cost of caring for the patient.

AIDS is also putting an intolerable strain on the extended family network, which is the only form of social insurance most Africans have. In Uganda, where annual per capita income is a mere \$167, one of the lowest in sub-Saharan Africa, the responsibility for housing, feeding, clothing and educating AIDS orphans is often beyond the means of most rural households.

The problem is not confined to rural areas. "One of our best-trained economists died of AIDS last month," Mr Muhakanzi regrets. He says companies are likewise losing skilled workers and can no longer afford to provide medical care schemes. "Even our

surplus labour will not alleviate the problem in the long run," he says.

Mr Manuel Pinto, the director of Uganda's AIDS Control Programme, has resigned himself to the fact that the disease will continue to be the main killer in Uganda for the foreseeable future. "AIDS takes a long time to manifest itself, so we are a long way away from seeing the reversal of the epidemic, or the fruits of our prevention efforts," he says. The rate of HIV infection varies from 5 per cent in some rural areas to 30 per cent in urban areas, and according to government data it is still rising.

"Children are our window of hope," Mr Pinto says. "We are trying to educate those between the ages of five and 15 so that they are kept free from AIDS."

The problem is compounded by the practice of polygamy and the low status of women in Ugandan society. But slowly, Mr Pinto believes, the government is getting its educational message across. Agencies such as TASO report that polygamy in the countryside is on the wane, and that more people are using condoms.

NEWS: THE AMERICAS

US airlines face 'creeping crisis'

By Lisa Branstetter
In Washington

INCREASING restrictiveness in the world's skies is a "creeping crisis" that threatens to cripple US airlines and ultimately the US economy, according to Mr Gerald Baliles, head of a federal commission set up to analyse the industry.

Formally unveiling the commission's proposals yesterday, Mr Baliles urged the government to work towards increased access to foreign markets and to cut the tax and regulatory burdens on US airlines.

He also called for modernisation of the air traffic control system, including the adoption of satellite technology known as the Global Positioning System, to increase system capacity.

The National Commission to Ensure a Healthy, Competitive Airline Industry was established in April to look into ways of ensuring the future competitiveness of the US industry, which has lost \$10bn in the past three years but seems to be returning to better health in tandem with the US economy.

While many analysts believe

that the airline industry is beginning to revive along with the general economy, Mr Baliles emphasised that the industry would never be sound without substantial structural change.

He said he feared other nations would renege on bilateral airline access agreements because the US had become the world's lowest-cost competitor. He urged faster negotiation of multilateral access agreements to keep US airlines from losing business to protected foreign carriers.

"We are not optimistic that these kind of changes in the

international system can be achieved overnight but we have an obligation to begin those negotiations," he said.

The commission also recommended that foreigners be allowed to purchase up to 49 per cent of the voting stock of US airlines - a move likely to face opposition in Congress. However, the change might provide the US with some leverage to pry open international skies, Mr Baliles said. Commissioners suggested that the move be contingent upon increased access to the purchaser's home market.

A return to the tight regulation of the industry that was abandoned in the late 1970s.

However, it proposed that a financial advisory committee be established to monitor the behaviour of at-risk carriers.

Mr Stephen Wolf, chairman of United Airlines, welcomed the commission's recommendations. "United strongly supports the negotiation of multilateral agreements - as opposed to conventional bilateral agreements - between the US and foreign governments," he said.

Airlines must fly solo, Page 10

Play it again and again, Uncle Sam

Nikki Tait finds a controversial and litigious market in second-hand compact discs

THE SIGN in the window is discreet and handwritten: CDs for as little as \$2.99 (11.97). But the savings to be garnered inside this downtown Manhattan record shop in New York are anything but modest.

Products at \$2.99 may be rare but used compact discs in the \$6-\$10 range are plentiful. For example, Next Exit, Grover Washington's 1982 album, is being sold for \$8.99. The same CD, purchased new in Tower Records, one of the biggest mainstream record stores in the area, costs \$14.99.

Shops like this have become the focus of a crackling debate in the US, leading in the past month to lawsuits and heated accusations.

On one side are retailers and consumers, interested in being able to buy and sell recordings at the best price. On the other are some of the largest US record labels and well-known recording artists. They are concerned that sales of used CDs will cut into new purchases, and that royalty flows will be reduced. (Royalties are usually levied only when an album is first sold.)

The volume of business in these sharply discounted, second-hand CDs is reckoned to be small. The Recording Industry Association of America, a Washington-based trade group, says total sales of CDs rose by 22.3 per cent to 407.5m units last year, or over \$5bn in value. Used CDs are estimated to account for only 1-2 per cent of this.

But the second-hand market's growth potential could be considerable. Many music retailers would like to exploit it. A second-hand CD is unlikely to be noticeably inferior in quality to a brand-new product - unlike a vinyl record, or even a cassette tape. Mr Russ Bach, president of Thorn-EMI's CEMA Distribution arm in California, recently forecast that "if left unattended, the used CD business will grow to about 20 per cent of unit volume by 1995".

Small, independent music retailers have dealt in used CDs for some time. But the stakes were raised last winter when Warehouse Entertainment, a US west coast chain, moved into the market. Warehouse operates 330 outlets and was the first retailer of any size to defy the distributors' wishes.

The wrath of some of the biggest companies descended

The wrath of some of the industry's biggest companies - such as CEMA, Sony and Time Warner - descended. They withdrew advertising and promotional support for all retailers dealing in second-hand CDs.

Warehouse has fought back in the law courts. Last month, it launched a suit against four of the biggest record distribution companies - CEMA, Sony Music Distribution, UNI Distribution (part of MCA, now owned by Japan's Matsushita) and Warner Elektra Atlantic.

In its complaint, the retailer alleges that prices of new CDs were being maintained "at artificially high levels", and that the four distributors had "combined... unreasonably to restrain trade... in used CDs". It points out that the same distributors operate "record clubs" which advertise and sell CDs at a substantial discount to shop prices. Warehouse also argues that its own second-hand CD sales are an effort to stay competitive with these record clubs. Distributors, it says, are worried that the second-hand market in CDs will threaten clubs' viability.

Warehouse's legal action has been followed by the Independent Music Retailers' Association - about 150-200 "mom and pop" music stores formed to fight the distributors over

second-hand CD sales. Like the Warehouse suit, IMRA's class action is filed in Los Angeles courts. It alleges price-fixing and unfair trade practices.

Mr Don Rosenberg, one of IMRA's founders and owner of the 16-outlet chain Record Exchange, says there is no law against selling second-hand CDs. He also notes that the royalty issue has not stopped second-hand trading in other industries.

Mr Rosenberg claims, more controversially, that the sale of second-hand CDs does not depress new CD business, and points to his own store's experience as evidence. Here, big distributors beg to differ. "There is no such thing as a small sideline when you are taking royalties from artists, producers, songwriters, publishers, musicians and artist managers, and taking margin away from the record company," claimed Mr Bach in Billboard magazine last month.

"If used CDs hit the main record channels of America and become widely accepted by consumers, and if CEMA supports retailers selling used CDs, then we will be cutting off our own future."

While the lawsuits grind on, the Federal Trade Commission is also understood to be looking at the issue. In line with its usual practice, though, the government anti-trust agency declines to confirm any specific investigation.

Not all distributors think like the retailers named in the Warehouse suit. Retailers say that PolyGram, for example, has a different policy, arising from the notion that the industry must learn to live with sales of used CDs. In London, PolyGram refused to comment.

Judging by the number of people in the downtown Manhattan store, there is no doubt where consumers' sympathies lie. "Customers love it," says Warehouse. "As long as we're involved in a legal business and the distributors are involved in illegal restraint, the lawsuits will continue."

Amazon tribal 'massacre'

By Christine Lamb
In Rio de Janeiro

THE Brazilian police yesterday began investigating a reported massacre of up to 19 Yanomami tribal people - the second such incident in two months.

It is alleged to have been carried out by *garimpeiros* (littered goldminers), and the killings have set off new fears for the Amazon's most populous indigenous tribe.

Between 14 and 19 Yanomami men, women and children were reported as decapitated by machetes at the remote settlement of Haximu in the northern state of Roraima, according to officials of the National Indian Foundation (Funai).

In a similar incident in July, five or six Yanomami were murdered in the same region.

The motive for the tribal killings is unknown but there has long been tension between the *garimpeiros* and the Yanomami, whose lands encompass what are thought to be some of the world's richest mineral deposits.

Two years ago, after international pressure, the government declared a 9.4m hectare reserve to protect the estimated 9,000 remaining Yanomami and expelled the goldminers, who were bringing violence, disease and pollution into the area.



Brazilian Congress members collect money showered on them from the gallery by spectators protesting at a "sell-out" over pay cuts

Brazilians curb wage adjustments

By Christine Lamb in Rio de Janeiro

BRAZIL'S economics team was yesterday celebrating its most impressive victory in the federal Congress to date.

The congress voted by 318:144 late on Wednesday night to pass government legislation granting monthly wage adjustments of 10 percentage points below the monthly inflation rate.

The vote brings to an end a battle

begun two months ago when the Congress approved monthly wage adjustments keeping fully abreast of inflation.

The horrified Finance Ministry estimated that such full adjustment would cost the government the equivalent of an extra \$11bn a year on pensions and salaries.

The change on Wednesday night was the result of frantic lobbying by government members. In a final bid for help,

Winston Fritsch, chief economic policy maker, presented Congress members with figures to show that inflation would top 50 per cent a month in December if the full adjustment were retained.

A jubilant Mr Fernando Henrique Cardoso, finance minister, appealed for patience yesterday: "We won't do anything crazy such as shock plans, price freezes, dollarisation or prefixing of prices."

NEWS: WORLD TRADE

Delays in Taiwan Aerospace joint venture, concedes Bae

By Daniel Green

BRITISH Aerospace conceded yesterday that talks on finalising the arrangements for a \$250m joint venture, with Taiwan Aerospace Corporation (TAC) were "taking longer than we had anticipated".

Bae, which three weeks ago said it regarded the deal as a certainty, was responding to reports that Mr Yang Shih-chien, the Taiwanese vice economy minister, had said the deal could still collapse.

Mr Yang has been closely involved in the establishment of the venture and blamed differences over the financing of

the joint venture, called Avro. Bae said that this was the main subject of the talks still to be resolved.

Bae shares fell 14p to 454p on the news because the deal is central to Bae's drive to return to profitability. It would mean that manufacturing of the RJ range of regional jets would be partly carried on in Taiwan, which is close to the fast-growing markets of east Asia and which offers lower labour costs.

The stumbling block in the talks is thought to centre on the question of collateral for loans to Avro.

Several banks both own

stakes in Avro and are lending it money. But Taiwan banking law prohibits a bank from extending unsecured financing to a venture in which it holds more than 3 per cent.

Behind this obstacle lies concern among some Taiwan investors that the project might not make money. One of the reasons Bae needs a partner with strong manufacturing capability and access to markets is that its regional aircraft business has lost money for several years.

TAC, 29 per cent owned by the government, and British Aerospace signed an agreement in January 1993 to form a

50-50 venture making the RJ family of regional passenger jets, which would be assembled in Taiwan and the UK.

Mr Yang last month confirmed that the government would increase its direct equity holding in TAC to 39 per cent.

This holding will be through two bodies: a government development fund, which will lift its stake in TAC from 24 per cent to 29 per cent, and the state-run Chiao Tung Bank, which will raise its stake from 5 to 10 per cent.

The China Development Corp, owned by the ruling Kuomintang party will also take a 10 per cent share.

EC and Turkey in law harmony talks

By John Murray Brown
In Ankara

TURKEY and the European Community are negotiating a framework timetable for the harmonisation of legislation, to pave the way for full customs union in January 1995.

Turkish and EC trade officials have less than two months to agree a legislative agenda to bring Turkish commercial and trade law in line with the EC, before it is presented to the Turkish-EC Association Council meeting on October 4.

The move is the final stage on the road to customs union which is seen by Turkey as a step towards full EC membership.

Turkey's formal application for EC membership was presented in 1987 and politely shelved in 1989.

But Turkish officials are increasingly concerned that, in the process of EC "enlargement", Turkey is being overtaken in the queue by central and eastern European countries.

Average protection rates for EC industrial goods are around 15 per cent, according to EC calculations.

Under the additional protocol to Turkey's 1994 Agreement of Association, to achieve a customs union, Turkey has to reduce import duties on EC goods to zero and adopt the community's common external tariff.

US seeks less chip reliance on Japanese

By Louise Kehoe
In San Francisco

THE US Commerce Department has put forward plans to increase government-sponsored efforts to reduce US semiconductor manufacturers' heavy dependency on Japanese suppliers of ceramic semiconductor packages.

Mr Ronald Brown, commerce secretary, stopped short of recommending that President Bill Clinton invoke powers to limit imports or order that a quota of US government purchases be made from domestic suppliers.

The ceramic packages are used to house some types of semiconductor chips, including most microprocessors and many of the chips used in military equipment. Japanese suppliers, led by Kyocera, dominate the world market, supplying over 90 per cent of ceramic packages for chips used in some US weapon systems and an estimated 60 per cent of those used in commercial semiconductor products.

The decision follows an incident that showed the vulnerability of the semiconductor industry to interruptions in supplies of critical materials.

An explosion at a Sumitomo Chemicals plant in Japan is raising serious concerns about a possible shortage of epoxy

resins used to make semiconductor packages for standard devices such as memory chips.

The Commerce Department plan, announced on Wednesday, follows a nine-month study of the semiconductor ceramic packaging industry, prompted by a petition filed last November by two US ceramic package makers - Coors Electronic Package and Ceramic Process Systems.

The US companies claimed that dependency on Japanese suppliers of ceramic packages was a threat to US economic competitiveness as well as to military security.

The department concluded that imports do not represent a national security threat.

Mr Brown also directed the US Bureau of Export Administration to review criteria for determining what constitutes a "national security threat" after the ending of the cold war. Industrial competitiveness might be included.

The case has been closely watched as a bellwether of the Clinton administration's stance on government intervention to protect strategic US industries.

However, the department's apparent reluctance to impose limits on imports is believed to have been influenced by the opposition of US semiconductor manufacturers.

Focus of S Africa reforms shifts to trade

Philip Gawith on the revised offer to be presented to Gatt

WHEN South Africa started on the road of political reform in 1990, this was as much a function of the crippling economic cost of apartheid as it was a reflection of the moral and political bankruptcy of that policy.

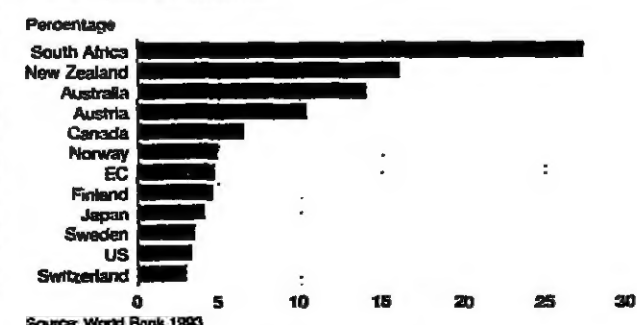
Since then, the country's faltering political fortunes have hogged the limelight. Later this month, however, South Africa will present a revised trade liberalisation offer to the General Agreement on Tariffs and Trade (Gatt), which forms part of a revision of trade policy as fundamental as the political reform under way.

Mr Stef Naude, director general of the Department of Trade and Industry, comments: "Without a doubt, this is the biggest reform of trade policy ever undertaken in this country."

The aim of the reform is simple: the transformation of the existing industrial base, fed for decades on a diet of political isolation, import substitution and strategic self-sufficiency, into an internationally competitive, export-led manufacturing sector.

The Gatt offer is but the first of many initiatives which include reform of export incentives, investigation of export processing zones, more efficient anti-dumping legislation, a trade agreement with the EC

Trade-weighted average tariff rates in developed economies



Source: World Bank 1993

South Africa: Estimates of Effective Protection (%)

Subsector	Protection on Inputs	Output	Effective Protection
Food, Beverages and Tobacco	15.2	13.7	8.8
Textiles, Apparel, & Leather	27.8	43.8	93.6
Wood & Wood Products	14.0	21.7	38.7
Paper & Paper Products	9.5	13.3	22.2
Chemicals	7.5	18.9	59.6
Non Metallic Minerals	8.2	19.1	54.3
Basic Metals	4.7	11.2	23.2
Metal Products & Equipment	17.1	18.2	20.3
Other Manufacturing	2.8	10.9	62.8
Manufacturing	12.6	17.8	30.2

Source: Industry Development Corporation

and the future of the South African Customs Union.

Pursued against the background of a weak economy, unemployment running at over 40 per cent and fundamental political transition, it is a Herculean labour.

No longer can government unilaterally decree policy changes. Democracy, transparency and consultation are the new watchwords. When it comes to economic policy, the imprimatur of the National Economic Forum, the tripartite body where business, labour and government are represented, must be sought.

At least in the area of trade policy, there is fairly broad

consensus among these three groups as to the way forward. Nobody would argue with the premise, contained in the government's recently published Normative Economic Model, that "Much of the country's future economic prosperity will be determined by its ability to play a bigger role in international trade in industrial goods."

This clearly requires conformity to Gatt, whose signatories all benefit from "most favoured nation" status and "national treatment" - the first ensuring that any tariff cut offered by one country to a second must automatically be extended to all other trading partners, and

the second guaranteeing that an exporter is treated just as a local company is treated.

"There is no way South Africa can fully reintegrate into the global economy outside Gatt," said Mr Stef Naude. Conformity to Gatt is not the only reason for lowering tariff barriers. It is also necessary to remove the anti-export bias in South Africa whereby protection makes the local market more profitable than exports.

It also raises input costs for local exporters, making them uncompetitive compared to exporters elsewhere who can obtain inputs at world prices.

A recent World Bank study of South Africa's trade policy found that it was not overly protective, "but far too fluid and complex, and biased against exports." Compared to developing countries, the protection level is fairly average.

According to NEM, South Africa's tariff barrier (weighted by import values) stands at 21 per cent, though this rises to 27 per cent when account is taken of special import surcharges - which survive for fiscal rather than protection purposes.

South Africa's revised Gatt offer will thus have two main features: first, it will involve a one-third reduction in average tariff rates. Second, it includes a dramatic rationalisation of the tariff structure which is

virtually unmatched in its complexity.

Instead of the current high degree of dispersion, tariff levels will range, at 5 percentage point intervals, from zero to a maximum of 30 per cent (with the exception of the motor industry).

Also, almost all tariffs will be bound - which means, in theory, they can never be raised, only lowered. This compares with only 55 per cent in its original offer.

South Africa has also committed itself to phasing out emergency dumping formula duties - a measure which has been the main instrument to counter disruptive competition.

To be replaced by proper anti-dumping measures, further reducing the overall level of protection in the country as formula duties often resulted in an increased overall level of protection.

The Gatt offer - particularly the lowering of import tariffs - should not be seen in isolation. All parties agree that it will have to be accompanied by supply-side support measures to assist local industry to improve its competitiveness.

With unemployment already at alarmingly high levels, the social and political costs of simply dropping tariff barriers, without other policies introduced in parallel, are unthinkable.

Semiconductor resin maker to raise prices

By Gordon Grubb in Tokyo

NIIPPON KAYAKU, the Japanese chemicals company which is the world's biggest supplier of an epoxy resin used in making semiconductors, is to raise its prices by as much as 30 per cent.

The move follows an explosion last month which halted production by Sumitomo Chemical, the market leader, until the end of the year. It lends substance to fears among chip makers that epoxy makers

will use the shortfall in supply caused by the accident to restore profit margins, which had been eroded by aggressive pricing.

Nippon Kayaku said yesterday it was investing ¥1bn (25.5m) to enlarge capacity at its plant and would increase prices from next month by at least ¥200 a kilogram, from its current ¥800-¥900 range. Its expanded production will come on stream in January. About then, Sumitomo is to restore half its previous capacity.

Concern at poor truck figures ● Export production down 16% ● Job losses at Peugeot

Falling European sales hit UK car output

By John Griffiths

THE FALL in car sales in continental Europe has thrown UK production into reverse after 18 months of almost uninterrupted growth to the highest levels for nearly 20 years.

Short-time working has already occurred in parts of the UK car industry and there was also mounting concern yesterday over a further sharp deterioration of production in the already depressed commercial vehicles sector.

Statistics showing a 49.8 per

cent fall in commercial vehicle output last month were described as "extremely serious" by the UK's Society of Motor Manufacturers and Traders.

They are considered by the industry to reflect the patchiness of economic recovery in the UK as well as falling export demand because of the widespread recession elsewhere in Europe.

Total car output in July was down only marginally, by 2.42 per cent to 115,648 compared with 118,614 in the same month

last year, and for the first seven months remained 6.63 per cent ahead of the 1992 period at 858,617 compared with 805,261.

But production for export fell by 16 per cent in July, to 33,578 from 39,977 in the same month a year ago.

It was the first significant fall this year and has left the industry worried that it can no longer escape the effects of a drop of around one-fifth in continental car sales since the start of this year.

"As far as car production is

concerned, we are now seeing the influence we forecast of the sharp fall in sales in virtually every market throughout continental Europe," said Mr Roger King, the SMMT's public affairs director.

"Overall production levels are clearly at risk in the face of shrinking exports," he added. Continuing growth in UK new car sales, the only main European car market undergoing a recovery, nevertheless is expected to prevent any deep downturn in UK car output.

New domestic car sales in

the first seven months were 9.1 per cent higher than a year ago, and most industry estimates are that sales will reach 1.75m-1.8m this year, compared with 1.59m in 1992.

Production for the rest of this year would have to fall by more than one-third of 1992 levels not to reach last year's total of 1.29m. Most industry forecasters still expect the final outcome to be around 1.2m, which would be the highest since 1975.

Ford said "there is absolutely no substance" to reports

that it was planning to introduce a four-day week at Dagenham, where it makes Fiats.

Peugeot Talbot has suspended production of its UK market mainstay, the 405, at its Ryton plant near Coventry and is reducing output from 1,900 to 1,600 cars a week of only one model, the 306. Some 300 jobs are being cut.

General Motors Vauxhall subsidiary has closed its Cavalier plant at Luton, Bedfordshire, for this week and will eliminate a further three shifts later this month.

Britain in brief



Universities urge reform of funding

University vice-chancellors are calling on the government to introduce a funding system requiring students to pay towards their tuition because a lack of money is denying places to thousands of young people.

In an outspoken statement, the Committee of Vice-Chancellors and Principals said that "thousands of young people are being denied a university education" because "the government cannot find the money to fund the extra places needed to satisfy demand."

"To achieve a mass higher education system we will need the co-operation of the government to establish a scheme whereby future graduates can contribute painlessly to the cost of their education."

Background, Page 10

Office and the Department of Social Security's benefit agency that will cost £150m to install nationally.

Lending shows modest growth

Modestly strong bank and building society lending last month was consistent with an improvement in consumers' willingness to take on new debt, economists said.

Bank of England figures showed a seasonally adjusted £2.8bn monthly rise in M4 lending - bank and building society lending to the private and corporate sectors.

Spending on tourism rises

Despite the recession the British spent more than £25bn on tourism to all destinations in 1992, an increase of 7 per cent in real terms over 1991.

The growth came from visitors travelling to destinations outside the UK, according to figures published by the joint English, Northern Ireland, Scottish and Welsh tourist boards. Non-UK tourism spending by British travellers rose in real terms from £12.62bn in 1991 to £14.11bn in 1992.

Ulster group wins order

A Northern Ireland textile company has won a £1.8m order to supply traditional Arab headgear to a distribution company serving Saudi Arabia, Kuwait, Dubai and Bahrain. Lintrend, based at Larne, has adapted a technology it developed for producing wrinkle-free linen, to cotton fabrics, and is to use it to make wash-and-wear cotton wash-mags, ghutras and thobes - respectively coloured headgear, plain white headgear and full-length white gowns.

Oil potential

More than 80 new North Sea oil and gas fields could be developed over the next 20 years, according to Grampian Regional Council's annual review of the industry. It says Britain should see a second peak of oil production in about two years.

Initial radio contracts won by rival groups

By Andrew Baxter

A TRANSATLANTIC battle to build a £100-plus battlefield radio system for the armed services entered a new stage last night after the Ministry of Defence awarded initial project development contracts to two consortiums.

The contracts, worth about £25m each, have been given to a consortium led by Siemens Plessey Systems, which is partnered with Racal, and a rival group led by IIT of the US, whose team includes Canada's Northern Telecom and BAE-SEMA, jointly owned by British Aerospace and SEMA Group.

A third consortium, led by GEC Marconi and including Thomson CSF of France, has been dropped from the race, confirming defence industry speculation.

The Ministry of Defence said proposals from Siemens and IIT proved to be more attractive, but would not go into details.

Racal's share price rose 1p to close at 245p yesterday in a falling market, while GEC's closed 3p lower at 245p.

The battle to build the Bowman communications system has attracted virtually all the world's big defence communications groups. At stake is not only the final production contract - worth more than £1bn and due to be awarded in 1997 - but the prospect of spin-off orders to other armed services overseas.

Bowman will be the UK's future combat radio system, covering everything from hand-held radios used by soldiers in the field to strategic radio systems at brigade headquarters.

It is planned to replace the Clansman family of radios used by the Army, the Royal Marines and the Royal Air Force regiment in 1995.

Clansman was introduced in the 1970s and is a voice only system. Bowman is a secure voice and data system, necessary for running many modern weapon systems. It will be more secure than Clansman as it uses electronic "frequency hopping" to prevent jamming.

The Ministry of Defence had been considering replacing Clansman for some years, and last May invited companies to tender for Bowman.

This prompted the creation of three consortiums - "Yeoman" for Siemens and Racal, "Crossbow" for the IIT team and "Arrowhead" for the GEC Marconi group - because the job was seen as too complex for any one company alone.

The two winners will now enter a three-year "project definition" (PDD) stage, funded by the Ministry and industry. Mr Jonathan Aitken, minister for defence procurement, said this phase "would provide a major incentive for the British defence industry."

IIT expressed pleasure at winning a development contract, and said if Crossbow won the UK content of the eventual production contract would be more than 75 per cent.

Unions seek coal summit after pit collapse

By David Goodhart, Labour Editor

ALL THREE main coal industry unions yesterday called for an "industry summit" on roof bolting after the collapse of a roof killed three men at Bilthorpe colliery, Nottinghamshire, central England.

British Coal strongly rejected both the claim that roof bolts were a safety hazard and the broader criticism made by the National Union of Mineworkers (NUM) and some opposition Labour MPs that safety was being sacrificed in the dash to improve productivity.

Mr John Longden, the British Coal Nottinghamshire Area director, said: "It is quite wrong to assume at this stage that roof bolting was at fault. The roof fall was so massive that no support system could have held it."

He was supported by Mr John Meade, head of the British Association of Colliery Management, who lost one member in the accident, who said that "if roof bolting is done properly it is safer than other forms of support."

He also rejected the more general criticism that safety was being sacrificed. "This is just political scare-mongering, the accident trend has been down, not up, in the past few years." Last year saw just three fatalities at British Coal the lowest number on record.

Nevertheless the inquiry into what happened at Bilthorpe, the most serious accident for several years, will concentrate



The roof support system used at Bilthorpe, scene of Wednesday's accident - relies on steel bolts coated with adhesive resin and rammed into the rock above the coal. The picture shows a rock bolted roof at Asfordby pit in Leicestershire. Picture: Colin Beere

on roof bolting and is bound to reawaken the doubts that many people have had about the system.

Although the NUM and Nacods, the supervisory union, have opposed bolting at national level for many years, the breakaway Union of Democratic Mineworkers (UDM) has generally been more supportive.

Yesterday, however, Mr Mick Stephens, the UDM general secretary in Nottinghamshire, said: "We have always had some doubts and naturally those doubts have now grown."

Bolts, which bind the rock together to create a beam effect, began to replace steel arches in many British mines in 1988. Now virtually all of the 30 British Coal pits use the

technology somewhere in the mine and throughout the industry there is now at least one hundred kilometres of roof-bolting ceiling.

Critics, such as Mr David Felkart, a former NUM official, make three main points. First, bolting was developed in the US and Australia where pits are generally less deep than in the UK and have more uniform

geological features. Second, bolting appears not to give the same warning noises as a creaking steel arch. Third, people are not properly trained to understand how roof-bolting works.

Mr Felkart believes several recent accidents can all be attributed to roof bolting or a combination of bolts and conventional supports.

Private data illegally used by many companies

By Michael Cessell, Business Correspondent

MORE than 100,000 businesses and other data users are illegally handling information on private individuals, according to a report by the National Audit Office, Britain's public spending watchdog.

The report, which reveals widespread ignorance about the existence and role of the Data Protection Act 1984, calls for better policing system to ensure full compliance with the law.

The data protection registrar, who administers the Act, has told the NAO that only about 150,000 organisations have registered under the legislation. The registrar admits there is no "satisfactory or reliable" method of establishing the numbers who should register; his most recent estimate of 250,000 is thought to be a conservative one.

Under the Act, data users cannot use or disclose information other than for strictly defined purposes. Individuals have right of access to the information, which can be amended or erased if inaccurate.

Failure by qualifying data users to register under the Act is a criminal offence.

The NAO reports research by

the registrar which suggests that, although some of them may be registered, one in three small companies and nearly one in six large companies are unaware of their statutory obligation to do so.

One in eight small companies know nothing at all about the Act.

According to the NAO, there is "little investigative effort" aimed at ensuring registration takes place, with most attention paid by the registrar to ensuring the renewal of registration on expiry.

Even so, the report says many data users are failing to re-register, while attempts to monitor compliance with good practice among registered data users are limited and are usually invoked only in response to complaints from the public.

The NAO says that the data protection registrar must step up efforts to increase registrations and improve and strengthen protection of the public. Controls over registered companies to ensure good practice should also be improved while a new campaign to publicise the powers of the Act should also be launched. The report, however, acknowledges legal and financial constraints limiting the registrar from pursuing its recommendations.

Motorola plans £50m expansion in Scotland

By James Sinton, Scottish Correspondent

MOTOROLA, the US electronics group, is to spend £50m expanding its semiconductor plant at East Kilbride near Glasgow in order to meet what it calls "exceptional demand" for its products.

The expansion will mean the creation of 180 jobs, taking the workforce to more than 2,000. It follows the completion of a £40m expansion project which was announced just over a year ago.

The new project, which involves installing new equipment and building extra clean-room facilities, will enable Motorola to expand its capacity to make 6-inch wafers for customer-specific integrated circuits.

The investment also involves expanding to accelerate production of digital signal processing chips, to meet a "surge" in European demand. The 400,000 sq ft plant's total production capacity will increase by 30 to 25 per cent.

Some of the extra demand is for semiconductors for use in telecommunications equipment such as mobile telephones, especially from China and Eastern Europe. There is also strong demand from the personal computer and workstation markets, and from the market for automotive products.

Executives count cost of staying in business

BUSINESSMEN pay more for a hotel room in London than anywhere else in Europe, according to a survey of travel costs published today, writes Philip Rawstone.

A listed rate of £223 for a single room in a four-star hotel in the city compares with £137 in Dublin and £123 in Milan. The survey, by Visa, the credit card organisation, found that London offers some business travel bargains.

The bill for a day's secretarial service is less than a third of the fee charged in

THE COST OF DOING BUSINESS IN EUROPE (figures in £)

City	Hotel*	Taxi*	Phone*	Continental breakfast*	Car hire*	Secretary*	Fax*	Business meal for 4	Cup of coffee
London	223.00	40.00	6.00	0.20	12.95	58.50	77.00	3.00	202.40
Amsterdam	173.99	17.57	3.87	0.26	10.37	47.70	210.90	5.33	137.61
Barcelona	142.59	7.12	5.70	0.36	11.40	63.41	58.17	2.37	66.30
Brussels	221.40	14.98	3.72	0.28	10.23	132.40	167.44	1.20	204.65
Dublin	127.64	11.58	4.45	0.28	8.25	50.70	129.69	4.63	124.13
Frankfurt	127.64	23.74	3.31	0.40	11.47	50.97	205.74	0.40	126.61
Geneva	159.91	13.36	5.35	0.18	12.03	82.91	249.44	2.23	334.08
Milan	123.59	10.45	4.18	0.42	13.17	82.28	41.81	1.67	209.03
Oslo	135.00	8.63	3.84	0.19	8.82	93.46	114.52	0.81	131.79
Paris	207.87	22.47	2.02	0.27	14.61	79.78	151.61	1.89	187.30

* City centre. Four star single room rate. * Airport to city centre. * 20 min journey. * Daily rate mid-range. * Daily rate. * One page.

Geneva. Taxis are expensive, but car hire charges are among the lowest.

British businessmen face a bewildering array of varying travel costs across the continent, says Visa.

The cost of a secretary in Amsterdam is five times greater than in Milan. Paris has the cheapest taxis

but the dearest breakfasts; in Oslo businessmen you can make a 30 minute local telephone call for the same price as a cup of coffee.

This variation in prices creates difficulties for any company attempting to rationalise its travel and entertainment costs, says Mr John Chaplin, Visa vice-president for market

development in Europe.

"In these competitive times, many companies are attempting to control costs by formulating a coherent travel policy. But if a company pays £120 for a hotel room in Dublin and is then charged £220 for a similar room in Brussels, forward budgeting and cost control can become a nightmare."

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MANAGEMENT

Legal dangers of stress

Got a headache? Can't sleep? Drink too much? Feel depressed? Got high blood pressure?

One solution for victims of stress could be to sue your employer, according to employment lawyers Nicholas Roche and Mark Scoggins of Davies Arnold Cooper, the commercial law firm. They say it is likely that a British company will be sued for stress in the next five years.

In a recent report* they argue that stress cases will follow the path of other injuries at work. They say that laws which were drafted to prevent accidents can easily be turned to include mental effects of stress. Employers who have taken no steps to identify and reduce stress at work may well find themselves having to pay up.

Companies will doubtless argue that to extend the law to cover stress would put an unrealistic burden on them. After all, people who do stressful work know that the pressure is part of the job, and are usually paid enough to compensate for it, or so the argument goes.

Lawyers point out though that similar claims were made about asbestosis, coal miners' lung and noise-induced deafness. Cumulative trauma claims will evolve the same way, the law firm argues. If they are right, companies should act now to avoid getting themselves into legal hot water later.

Insurers should take note too. At the moment companies are covered against claims causing "bodily injury or disease". But it is possible that a UK court could rule that these policies also include mental injury, as has happened in New York.

But even if stress never reaches court rooms, companies which take a positive stand on the problem and attempt to do something about it, will have more direct spin-offs in terms of lower absenteeism and a happier workforce.

*"Stress out, cash in" available from Davies Arnold Cooper, 5-9 Boulevard Street, London EC4Y 8DD. 071 536 2232.

Lucy Kellaway

Toyota, Japan's largest car maker, began production in Britain only in January. But this pioneer of lean production systems, which is widely recognised as setting a world standard in efficient manufacture, is already having a dramatic impact on the management practices of more than 150 UK and continental component makers.

Since the beginning of this year Toyota's first car for Europe, the Carina E, has been emerging at an ever faster rate from the assembly line at the company's £800m plant at Burnaston, Derbyshire.

As with Nissan's Sunderland factory and Honda's at Swindon, the line is being supplied not by the once-feared influx of Japanese component companies - which has almost totally failed to materialise - but by mainly indigenous British and continental companies.

They are widely varied in their size and activities; from British Steel's Llanwern plant in south Wales, supplying coated steel strip, to small concerns providing the 10,000-plus individual parts which make up a modern car.

Last month a Department of Employment-commissioned study suggested the work practices and culture needed to meet Japanese cost and quality targets are resented by those suppliers' work forces.

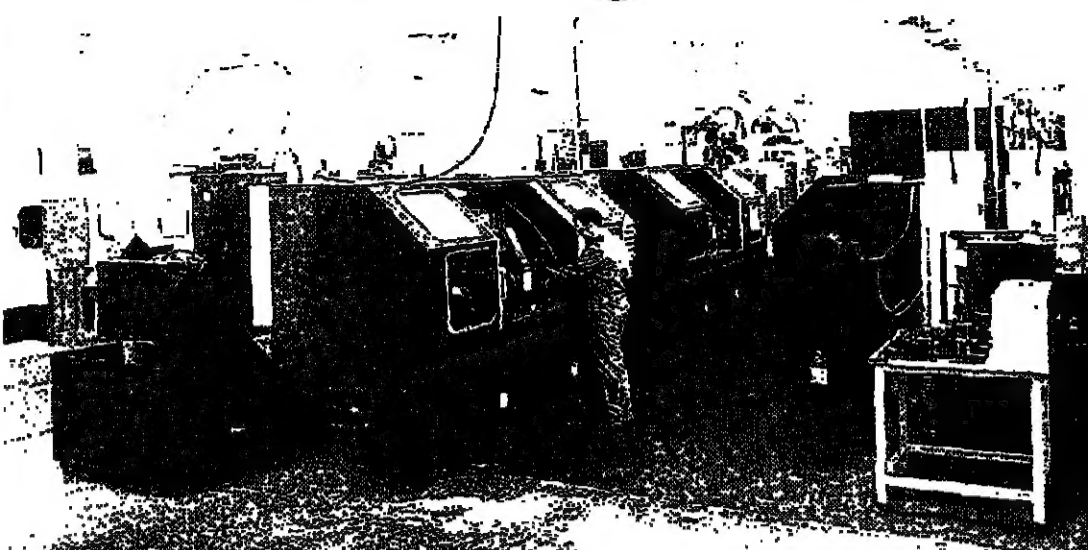
But there is no visible sign of that at Advanced Engineering Systems (AES) at Tipton, west Midlands. AES, a supplier of machined castings and other parts to Toyota, Honda and Rover, provides one of the most vivid examples of the cultural adjustments a British supplier, with its roots stretching deep into the old, adversarial traditions of the UK industry, has had to make en route to its goal of becoming a world-class supplier.

A year ago AES was part of Beans Industries, a former British Leyland subsidiary which, among other things, was churning out reconditioned engines for the Unipart group. Unipart bought 80 per cent of AES from Beans, with an option to acquire the remainder shortly, purely because the company had contracts to supply seven components to Toyota.

Unipart Industries - the group's components manufacturing arm - had already learned much about quality from Honda. In a benchmarking study of 17 Japanese and UK components firms carried out last year by Dan Jones - co-author of *The Machine That Changed the World* - and Andersen Consulting, it was the only UK company to match the best Japanese companies on quality. But the study showed it was unable to ally quality with Japanese productivity. What better way to try to close the gap than to supply to one of the most efficient

John Griffiths describes how Toyota's working practices transformed one of its UK car components suppliers

Driving out the old regime



A new world: employees at AES in the west Midlands have adopted a different philosophy

of all Japan's vehicle makers?

Despite his previous experience of working with Honda even Frank Burns, AES' managing director, was shaken by Toyota's reaction when asked for its approval of the Unipart move.

"We said we wanted to acquire the business and why - and did they have any objections? They said 'we don't mind but please hire these 20 people' and gave us a list of individual names. We did, of course and that gave us an early insight into the incredible detail with which Toyota tackles everything it does."

Burns and David Nicholas, managing director of the parent Unipart Industries, had no problem persuading Beans employees to co-operate, and were able to offer the inducements of improved staff status and other elements of the Unipart package.

"They all wanted to join the 'new world', despite there being no recognition for unions," recalls Burns. (Unipart derecognised all unions two years ago, although there is no ban on membership.) AES remains a small company,

employing 40 now and an expected 60 by the end of this year. It is divided into two main areas, one working for Honda, the other for Toyota. The Honda area, which has been running for a year, is well advanced, refining the team working systems brought from Premier Exhausts, another Unipart subsidiary, as the combined experiences of working for Honda and Toyota are absorbed.

Training is top priority - to achieve quality and to address the productivity issues highlighted by the benchmarking study. Fifty per cent of team members can perform every operation on the 13-machine Honda sector; 80 per cent can perform 80 per cent of the tasks and the proportions are climbing weekly.

That the training bill is currently one half of wage costs also illustrates one of the key operating influences of Toyota still alien to a vast swathe of UK industry. AES invested in all the necessary systems and capacity for the Toyota contract months before production began. Eighty per cent of the con-

tract's cost base was built into the opening phase of manufacture - a proportion likely to be the norm for all future business.

"It means," says Burns, "that we have the right machines, quality standards, manning levels, training etc so that costs fall rapidly as production gets under way. The classic western approach is minimal initial investment, rectifying mistakes and putting in more investment as production builds."

Three months ago, Burns went to Japan to take part in Toyota's latest production system course. He found himself looking anew at areas where he had thought he already had a lot of the answers. He is teaching the course to AES' employees and later the whole group.

The insights about waste, he freely admits, left him initially incredulous - notably the proposition that up to 85 per cent of employees could not be working at any one time.

"They said that around the factory you could normally find 5 per cent of people visibly not working. But then a further 35 per cent could

be waiting, even if briefly, for deliveries or for a machine to finish its cycle. Then you could have a further 30 per cent building inventory. Toyota regards that as not really working because there is no immediate contribution to the manufacturing operation. Last, they figure that up to 25 per cent can be working to method and requirement - but the method itself is not efficient, involving wasteful movements for example.

"I got back, we checked, and found those numbers weren't far off. The problem is that UK managers tend to focus on the 5 per cent visibly not working and possibly those waiting - and are totally unaware about the rest."

The benefits arising from Toyota's unrelenting attention to detail has led AES to adopt U-shaped production cells, in which one operator can move easily from one machine to another, controlling a sequence of processes, rather than operating just one machine.

Initially, each machine required an operator to press two centrally mounted buttons and watch the process begin. A visiting Japanese engineer suggested replacing the buttons with Toyota's flap-type switch mounted at one end of the machine that the operator could hit with the flat of his hand at the start of his tour of the machines.

Burns acknowledges it sounds trivial. "But they are an integral part of Toyota Production System (TPS). And in saving one second they equate to 64 man weeks on the seven lines. We reckon we can save 2.5 per cent of the labour bill a year - that's the entire training bill for some companies."

The switches illustrate the different philosophy required for TPS. "The natural, British management response when the suggestion came about moving buttons was '£25,000 - just for moving buttons! And on that ground, in the past, it would never have been done.'"

The Japanese visitor produced 185 kaizen (continuous improvement) suggestions. And AES teams have come up with half as many again.

The application of TPS principles is already showing in productivity. On the Honda flywheels line, four men were producing 760 flywheels a week on two shifts. Introduction of the U-cells and related improvements, plus a third man lifted output to 1,000 a week. The third man has now been redeployed but output remains at 1,000 a week.

Premier has also introduced the Toyota U-cell system, with reported productivity gains of 30-40 per cent. Perhaps warning other European components groups about the cost and quality benefits deriving from such close links with the Japanese, one leading European vehicle producer is switching to Premier as its exhaust systems supplier.

A source of best practice

The best companies in Europe have already achieved a 10-12 per cent reduction in their material costs, according to a survey on strategic sourcing by the consulting firm Booz Allen & Hamilton.

The survey, conducted among 238 companies in the automotive, chemicals, consumer goods, electrical and electronics, heavy equipment and industrial products sectors, shows that the majority of businesses are now managing to contain material price inflation to between zero and 5 per cent a year.

Purchased materials represent at least 40 per cent of turnover for more than two-thirds of the companies in the sample; in some cases the figure was as high as 80 per cent.

Among the characteristics of those businesses which have done most to reduce costs and increase quality are the commitment of top management to the purchasing process, the involvement of different departments in decision making and the separation of sourcing strategy from day-to-day execution.

The research, among companies in Britain, France, Germany, Italy, Spain and the Netherlands, confirms that the traditional "arm's length" supplier relationship is declining in favour of greater interaction.

Sixty per cent of those interviewed now insist on a regular presence at their suppliers, compared with 40 per cent five years ago. That trend is expected to continue over the next five years, so that the occasional visitors to suppliers will only represent about 25 per cent.

Companies are reducing their supplier base at more than 3 per cent a year - a figure which Booz says is likely to double. The majority of the worst performing companies still use individual purchase orders, while the best performers are moving to "lifetime" agreements or multi-annual contracts.

The best also achieve more with fewer resources. In many cases the smaller the purchasing department the more impressive the performance in terms of material costs, material quality and inventory turnover.

Tim Dickson

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HM Government announced its intention to sell DTELS, by trade sale, on 3 February 1993. Price Waterhouse are acting as financial advisers to the Home Office on the sale and will be issuing an Information Memorandum, in early September, outlining DTELS' business activities and recent financial performance and detailing the bidding process for potential investors.

This document will be made available to bona fide investors subject to a confidentiality agreement.

To register your interest please contact:
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The interest payable on 23rd February, 1994 against Coupon No 5 will be U.S. \$7,152,777 per U.S. \$1,000 nominal amount.

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LEGAL NOTICES

IN THE MATTER OF THE REHABILITATION OF MUTUAL BENEFIT LIFE INSURANCE COMPANY, A Mutual Insurance Company of New Jersey

THIS MATTER having come before the Court upon the application of Samuel F. Porrasano, New Jersey Commissioner of Insurance and Rehabilitator of Mutual Benefit Life Insurance Company (hereinafter "Rehabilitator"), through his attorneys Robert J. Del Tado, Attorney General of New Jersey (by Edward J. Dwyer, Esquire, Assistant Attorney General) and Special Counsel to the Rehabilitator, Cole, Schatz, Bernstein, Meisel & Forman, P.A., and Counselors, Wickenshaw & Taft, for entry of an Order to Show Cause Why an Order Should Not be Entered Authorizing and Approving Loan Purchase and Sale Agreement, Purchase and Sale Agreement and Settlement Agreement for Mutual Benefit's Williams Island real estate project; and the Rehabilitator having filed this application along with the Certification of John A. Kniskern dated August 10, 1993, and all exhibits thereto; and the Rehabilitator having requested a hearing date for approval of the Loan Purchase and Sale Agreement and related agreements; and the Court having read and considered the annexed Certification of John A. Kniskern and all exhibits thereto; and it appearing that it is in the best interest of Mutual Benefit's estate to schedule a hearing date on the application and the application having been properly filed with notice pursuant to R. 4:67-2(a) because no temporary relief is sought, and the Court finding that entry of the Order to Show Cause is warranted, and for good cause shown:

IT IS on this 13th day of August, 1993

ORDERED AS FOLLOWS:

1. All parties on the annexed Schedule A shall show cause before the Honorable Philip S. Carls, Judge, P.J. Ch., Superior Court of New Jersey, Chancery Division, Mercer County, 210 South Broad Street, 5th Floor, Trenton, New Jersey 08625 on September 23, 1993 at 9:00 a.m. or as soon thereafter as counsel may be heard why:

(a) An Order should not be entered approving the Loan Purchase and Sale Agreement, Purchase and Sale Agreement and Settlement Agreement; and

(b) Authorizing other and further relief as the Court may deem necessary and proper;

(c) Any person or entity seeking to oppose to this Order to Show Cause filing unsworn affidavits or affidavits and briefs with this Court shall do so on or later than September 10, 1993. Such answering papers shall be filed directly with the Honorable Philip S. Carls, Judge, P.J. Ch., Superior Court - Mercer County, 210 South Broad Street, 5th Floor, CN 977, Trenton, New Jersey 08625 and one copy shall be filed with the Clerk of the Superior Court in the amount of \$80. Any person may file a verified application to the Court pursuant to R. 1:13-2 to seek a waiver of the Court filing fee by reason of poverty. Responding papers on behalf of any corporation should be filed by a New Jersey attorney, but motions for appointment as law clerk may be entertained under R. 1:12-1;

(d) All answering papers filed pursuant to paragraph (2) above shall be simultaneously served upon counsel for the Rehabilitator by delivering one set of papers to Sharon M. Halama, Deputy Attorney General, Richard J. Hughes Justice Complex, CN 117, Trenton, New Jersey 08625 and one set of papers to Gregory H. Patrick, Esq., Counselor, Wickenshaw & Taft, 100 Maiden Lane, New York, New York 10038. Any person seeking access to responses made by others should contact Frances Flanno, Legal Assistant at (201) 489-3000, who will make the papers filed available for inspection at the office of Cole, Schatz, Bernstein, Meisel & Forman, P.A., Court Plaza North, 23 Main Street, P.O. Box 800, Luckensack, New Jersey 07602-0800.

(e) The Rehabilitator shall reply to the answering papers received by him no later than September 17, 1993, and shall serve that reply upon all counsel or persons who responded pursuant to paragraph (2).

(f) On or before August 20, 1993, the Rehabilitator shall serve a copy of this Order together with all supporting Affidavits without exhibits, by first class mail to all parties listed on Schedule A, and shall publish a copy of the Order to Show Cause in the *Bureau's*, *Sine Legibus*, *The Wall Street Journal*, *The New York Times*, *The Times of London*, *The Courier Post* and *Financial Times*, such publication to be arranged by Special Counsel to the Rehabilitator. Copies of the Settlement Agreement, and related agreements, and all Certifications and answering papers as filed with the Court, shall also be available for inspection at Cole Schatz's office at a reasonably convenient time upon request.

(g) Any person failing to raise timely objections to this Order to Show Cause shall be forever barred from raising such objections and that in the absence of such objections, the Court may grant the relief requested without further notice or hearing.

1 Hon. Paul G. Levy, P.J.Ch.

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Sharper image on the box

"WE'RE living in a pixel world," believes Willy Johnson, chief executive of Durant, a company better known in Japan than in Johnson's home town of Lynnington, on the south coast of England.

Pixel, picture elements which form the images on miniature flat-screen television sets and portable computers, are Durant's business. Or more precisely, Durant is in the business of "depixelation" - getting rid of them.

The "pixel problem", as Johnson calls it, is that liquid crystal screens produce stunning pictures but are tiny. Manufacturers have been unable to produce larger flat screens because the quality control needed is exorbitantly expensive to attain. Just one malfunctioning pixel and the whole picture is ruined - and a 16.5-inch screen, for example, would need more than 1.2m pixels.

The most obvious other solution would be to blow up the picture, but then each pixel becomes clearly visible, destroying the picture quality. And this is where Durant's technology comes in.

Several Japanese games and computer makers are now testing Durant's Microsharp technology, which is essentially a series of holographic lenses. Superimposed over the liquid crystal screen, the lenses spread the light emitted by each pixel so that they merge into a continuous picture, with the light emitted from adjacent ones.

These graded refractive index (Gri) lenses are produced by exposing a sheet of photopolymer film, made by Du Pont, to ultra-violet light. Microsharp has taken eight years to develop and Johnson is confident the company has secured watertight international patents. Durant is on the point of signing an agreement with a US company for manufacture of the lenses.

After that, the possibilities for Microsharp could be endless, believes Johnson. Television pictures could be displayed on large screens or projected onto walls. Helms for virtual reality could incorporate high-quality images displayed on two screens inside the helmet. Microsharp could even be used to produce a more efficient generation of solar-powered electricity generators.

Della Bradshaw

For the price of a small second-hand car or a luxury cruise, Leica Camera can sell you a pair of binoculars which contains such an array of electronic and other advanced technology that it can work out distance and direction as well as display a sharp image.

The German camera and optical company has deliberately made its new product - called the Geovid - as simple to use as possible. Apart from a small wheel to adjust the eyepieces, there are only two controls: one button to read the distance, another for the built-in compass.

"We wanted to keep the electronics in the background," says Thorsten Kortemeier, product manager for binoculars. "We don't want to sell mainly to technology freaks. We want to stress the uses."

Despite its DM6,500 (\$2,376) retail price (UK cost is about \$3,000), this year's production run is already sold out to yacht crews, balloonists, mountaineers, foresters, hunters, surveyors, rescue services and other specialised interest groups.

For a renowned camera maker such as Leica, the Geovid is an unusual departure. Not only does it draw on technology from other parts of the Leica group, owned by Swiss industrialist Stephan Schmidheiny, it is made in Switzerland by the sensor division, rather than at Leica's headquarters north of Frankfurt near Wetzlar.

The camera side, however, provided the technology for the sophisticated lenses, which have wide prisms - porro prisms - for better light transmission, even in fading twilight. "We want to become stronger in sporting optics [binoculars]," says Werner Simon, chief executive of Leica. "The Geovid is part of that strategy."

The new binoculars use infra-red laser beams to measure distance, with a microcomputer making calculations to the nearest metre up to 1,000m or more. A digital magnetic compass works out the angle of direction, even when the binoculars are tilted. The user simply presses one of the two buttons twice, once to fix a red aiming light on the target and again to display the measurement.

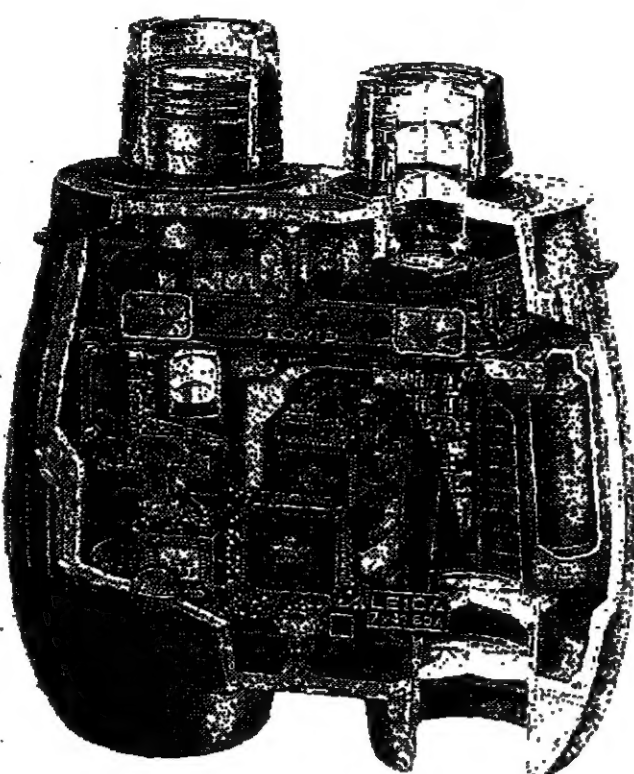
Yet, however successful the Geovid proves to be, binocular sales will continue to be dwarfed by sales of the company's classic and robust cameras and lenses, projectors and enlargers, together accounting for 80 per cent of business. Last year, Leica Camera's turnover rose by 3 per cent to DM214m.

The company's reputation is based on its camera work, with advances in lens, mechanical and electronic technology matched by a typically German dedication to continuity.

Thus when Henri Cartier-Bresson,

New focus for camera maker

Leica's latest and unlikely product, a sophisticated pair of binoculars, is selling fast, writes Andrew Fisher



A different image: Leica's binoculars appeal to special interest groups

the French photographer, was presented with a new Leica camera on his 75th birthday in 1983, he declined the offer of a new lens, says Simon. "He took out the lens he had owned since 1964, fitted it into the 1983 Leica with a neat plop, and said 'Voilà, ça c'est Leica'."

There are other intriguing Leica anecdotes. A few years ago, perched precariously on a Nepalese rockface to take pictures of wild honey gatherers, Eric Valli, a French photographer, dropped his Leica lens. When he found it, the lens was still usable in spite of a fall of 80 metres, with no optical damage and only a slight centring error.

Leica's reputation is bolstered by such tales. But, as Simon stresses, it takes more than stories to protect the company's position as a producer of quality, consumer prod-

ucts. Leica's spending of a high 4 per cent of turnover on research and development underlines this point. "We're not in our niche because of 'the myth of the past'," Simon adds. "A myth lasts perhaps five years, but quality has to be achieved anew each day."

The first Leica camera was shown in 1925 at the Leipzig trade fair, although Oskar Barnack, its inventor, made the prototype before the first world war. The camera was made by the Leitz microscope company, the word Leica deriving from Leitz camera.

Since then, Leica has developed a unique position as a maker of products which meet the most demanding standards and are priced accordingly. Along the way, the company has had to cope with the almost total dominance of Japanese compa-

nies in the photographic sector. Its main German rivals such as Rolleiflex, Zeiss Ikon, Voigtlander and Agfa have either left the camera scene or occupy much smaller segments.

In common with Hasselblad of Sweden, which makes medium format cameras - totally different from Leica's 35mm products - the German company occupies its own corner in the world camera market. Leica's speciality is the M6 rangefinder camera - a descendant of Barnack's original camera - which combines high-speed lenses with highly accurate focusing and an almost noiseless shutter release.

In the single lens reflex market, where Japanese companies such as Nikon, Minolta, Canon, Pentax and Olympus predominate, Leica has developed its R-series, the latest R7 automatic version costing DM3,300 (£1,795 in the UK); lenses are extra, from DM1,180 to DM32,000.

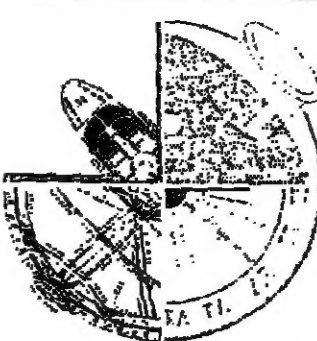
Simon says Leica has weathered the worldwide recession well, but admits it can no longer raise prices as it would like. Its move five years ago to a new building in Solms, near Wetzlar, has helped it hold down production costs. It also offsets some of the high expense of doing business in Germany by carrying out pre-assembly and other work, such as small binocular manufacture, at its plant in Portugal.

Leica's main lens work is kept in-house. It has spent DM1.2m on a computer-controlled lens manufacturing line in Solms, cutting the time taken to grind, polish, coat and mount its complex lenses from 12 to three weeks and lifting productivity by 20 per cent.

Final camera assembly takes 26 hours: the rangefinder alone for the M6 camera has 104 parts. Thus, says Burkard Kiesel, vice-president for development and operations, further efficiency gains will be elusive, even with the most advanced design and production software.

"It's hard to see what further savings we can make without losing any features on our products," says Kiesel. Leica's profitability will depend on customers' continuing willingness to pay heavily for top quality products. The innovative Geovid will be the latest test of the company's high-priced appeal.

Worth Watching · Della Bradshaw



New glass shatters car-jackers' plans

A shatter-proof glass, developed for the windows of jet airliners, could soon protect the domestic car driver from "car-jacking", where the windows of a stationary vehicle are smashed by a thief intent on removing valuables.

Developed by Pilkington Aerospace, the glass has a plastic inner lining bonded to it. The plastic, part of the polyurethane family, is "self-healing" so that if scratched it returns to its original form. It would take a thief up to 50 strong blows to break through the new glass. The plastic lining also prevents shards falling into the car if the glass is broken.

Pilkington believes the technology will be used first in VIP and police cars, as it would add several hundred pounds to the cost of a new car. Pilkington: 021 451 3901.

HealthBlend packs a purrfect diet

You are what you eat, they say. The maxim could be as true for pets as it is for their owners.

HealthBlend is described by manufacturer Hill's Pet Nutrition, as the first "healthy" pet food, to be sold exclusively through veterinary surgeries. Hill's say the scientifically-balanced diet of calories, protein and phosphorus can prevent liver and kidney disease, obesity and even hypertension. There are two feline versions and three for dogs - including a special recipe for the "Canine Geriatric". Hill's: US, 913 354 8523.

Flying high on computer games

For those who find it hard to leave their Nintendo games machines at home when they

travel, the US division of the Japanese games company has developed an in-flight version of its popular 16-bit Nintendo Entertainment System.

The Gateway System offers passengers an LCD television monitor to choose between 10 games, four to six movies, and a range of information and shopping services. The central controller is built into the cabin management system.

In conjunction with the LodgeNet Entertainment Corporation, Nintendo has adapted the system for use in hotels and ships. Nintendo: US, 206 882 2040.

Secret boost for welding process

A welding technique, developed by the Paton Institute, in Kiev, promises to increase Tig (tungsten inert gas) welding productivity in the west by a factor of 10.

The process involves painting the metal parts to be welded with a non-toxic paint which constricts the arc inside the metal during the welding. While stainless steel or titanium welds of 2-3mm are common outside the Ukraine, the Paton Institute regularly welds metals 10mm thick, using the same amount of gas.

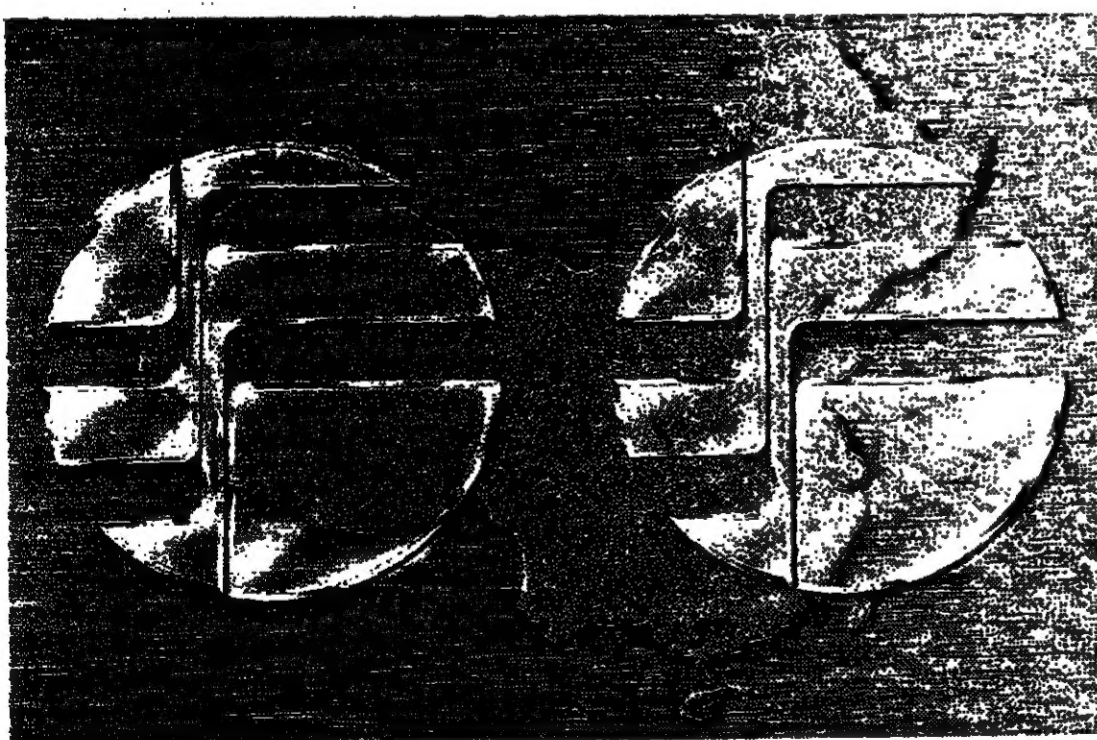
The institute, which is represented by the Welding Institute in Cambridge, is keeping the chemical formulation a closely guarded secret. Paton Institute: Ukraine, 44 227 4353. Welding Institute: UK, 0223 891162.

Coconuts crack tool coating

The coconut could prove to be one of the industrial diamond's best friends.

Researchers in Germany have developed a novel way to diamond-coat tools and components based on the hydrogasification of charcoal. The best results have been obtained with charcoal from coconut shells.

Unlike conventional hydrogasification processes, the method developed at the Fraunhofer-Institute for Surface Engineering and Thin Films uses a closed circuit, preventing the escape of gas. The process is therefore kinder to the environment. Fraunhofer-Institute: Germany, 40 5472 1860.



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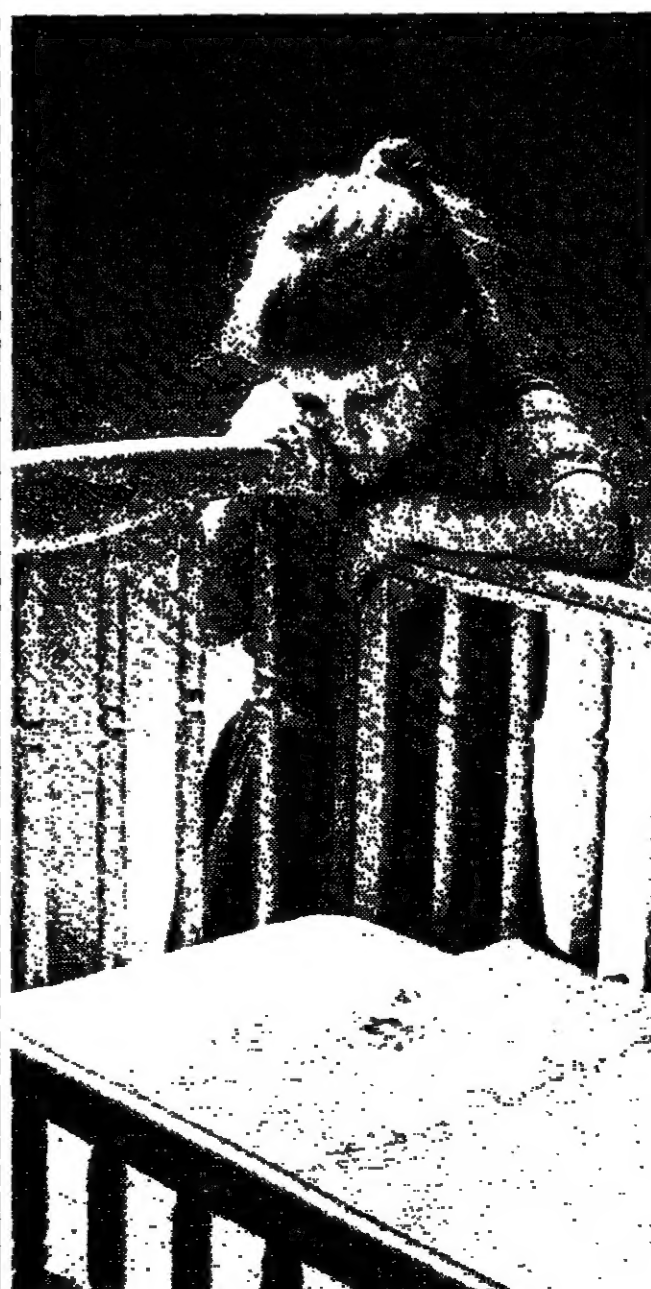
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PHOTOGRAPH CHRIS WINTER

THE PROPERTY MARKET

The heat is still on

Abbey National's costly exit from the estate agency business with the sale this week of its Cornerstone chain illustrates the depressed value of residential property agencies. This is in contrast to commercial property agencies, whose values are fast recovering.

Over the past year, the share prices of many in the quoted surveying sector have risen sharply. Fletcher King's shares have advanced by 44 per cent; DTZ Debenham Thorpe by 150 per cent; Conrad Ribbitt Sinclair Goldsmith by 311 per cent; and de Morgan Group by 220 per cent.

Only Herring Baker Harris, which is picking itself up after recent management upheavals, has bucked the trend with a fall of 55 per cent over the same period.

The share prices of commercial property agents have clearly bounced back after a long period in the doldrums. Anyone who bought shares in a property consultancy five years ago would have seen the value of their investment drop by between 46 per cent and 98 per cent.

But some commentators and surveying practices are concerned that the surge in commercial property agents' share prices reflects exaggerated optimism. "My feeling is that they [shares] have been related too far. Business is still very tough," says Mr Selwyn Jones, a broker at Credit Lyonnais, a French bank.

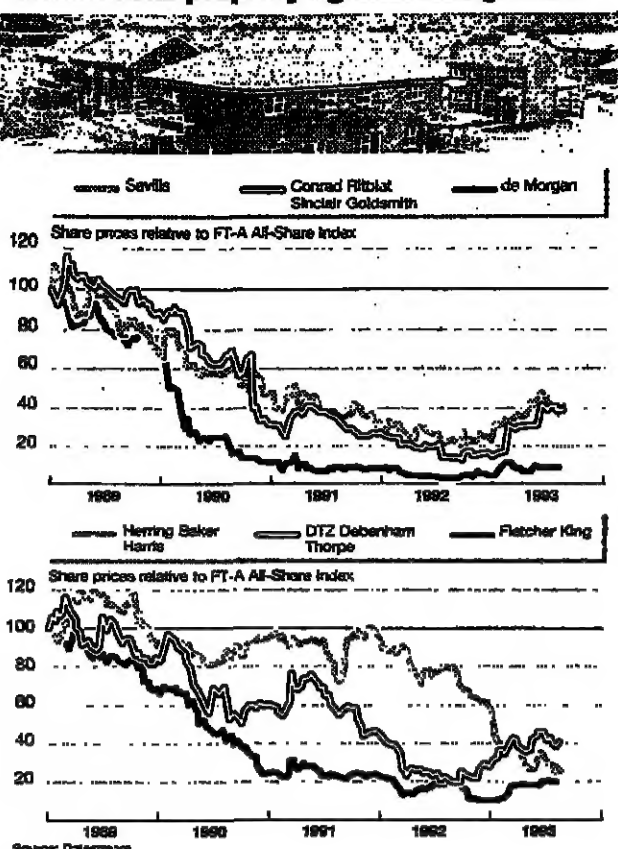
The main factor influencing surveyors' relative good fortune is the resurgence in the property investment market. Savills recently announced a return to profits on the back of a sharp increase in investment activity and cost cuts. DTZ Debenham Thorpe followed with an announcement of sharply increased profits, partly because it had arranged many deals for German investors into the Central London office market.

But the upturn in investment activity is favouring a relatively small number of the larger companies. The de Morgan Group struck a warning note about the increase in number and value of property investment transactions.

"The pace of recovery is likely to be affected by a shortage of suitable investment

Despite a recent revival, pressure remains intense on surveyors, says Vanessa Houlder

Commercial property agents: rising value



property and the reduced availability of loan finance for property," it said.

Some other pockets of business such as valuation, management and rate assessments, are proving robust. But property advisers are still struggling with agency work - the bread and butter of most businesses. Agents say that an upturn in enquiries has not translated into a take-up of space. Although retail property is beginning to stabilise, few agents expect a general upturn in rents before next year.

Rent review work is also sharply down as a result of the slump in rental values. Taken as a whole, the value of the property services market has fallen by more than 6 per cent to £843.3m over the past year, according to the Chartered Surveyors Survey, published by the Economic Development

Briefing, a research group.

The survey found that agency and financial services suffered a decline in revenue of more than 25 per cent over the past year. Only professional services such as rate assessments, valuations and legal and planning produced increased revenue.

The practices which have fared best have been those with valuation, management and rating businesses; the hardest hit have been those which depend on income from lettings and deals.

Yet many practices remain in severe difficulties; there have been many instances of cash calls on partners to ensure a partnership's survival. These pressures on practices have spawned a wave of mergers.

The problems have been most acute for medium-sized firms, which have neither the

breadth and credibility of their larger rivals nor the low overheads and specialist expertise of the smallest firms.

"A polarisation is taking place, between the large surveying companies and smaller niche players, and those occupying the middle ground are being squeezed," says Mr Clive Lewis, president of the Royal Institution of Chartered Surveyors.

At the root of the problem lies the sector's rapid expansion between 1976 and 1992: during this period the profession grew by an average of 3 per cent a year. This has left a legacy of overcapacity, which is likely to encourage more mergers and more job losses.

The recent spate of mergers has caused some consolidation in what is still a highly fragmented sector. The top three surveying practices, DTZ Debenham Thorpe, Chesterton and Jones Lang Wootton, each have a market share of more than 5 per cent, according to the Chartered Surveyors Survey.

"It must be likely that with too many firms of surveyors chasing a contracting traditional market for fees, more mergers will follow, with more hardship for individual employees," says Mr Lewis. Anecdotal evidence suggests that the shake-out of staff has begun to ease. In any event, demand for new recruits is likely to remain subdued until there is more convincing evidence of a market upturn.

"It is still pretty bleak," says Ms Vivienne Packer, an executive search consultant at Alexander Hughes. She notes, however, that there is demand for some specialists such as facilities management, which are expanding in an effort to offer a more complete service.

Nonetheless, the industry has shown little evidence of having benefitted from the shake-out and capacity cuts. As existing partnerships have shed staff, many of those displaced have formed their own practices. This has boosted competition and kept fees down to barely profitable levels. Until there is a convincing recovery in the property market, the pressure will remain intense on all but the best-placed practices.

PEOPLE

'One-company man' for Courtaulds Textiles

On August 19 1993 Noel Jervis walked through the door of Courtaulds to start his first day's work with the company as an apprentice accountant.

Diligence clearly pays off. Yesterday, 30 years to the day, Jervis, who will be 49 on December 25, was formally hailed as chief executive in waiting of Courtaulds Textiles. He takes over on January 1 next year, when Martin Taylor heads off for Barclays Bank.

Jervis says Taylor "will be a desperately hard act to follow, since not only is he a thoroughly decent chap, but he is also a man capable of searching conversations and unafraid of taking tough decisions".

Having been with Courtaulds throughout his career, Jervis - "I regard myself as the archetypal one-company man" - believes that his experience of the company from the bottom up means that he has a feel for the organisation.

In 1980 he was appointed finance director of Courtaulds Fabric Group and from 1982 was chairman of the group's overseas fabrics business. In 1988 he gave up the post of finance director of Courtaulds Textiles Group to concentrate on the international business.

Courtaulds Textiles has more than 20,000 employees, but Jervis says he has neither a lump in the throat nor butterflies in the stomach at the prospect of the move. His background he regards as "solidly working class"; his father was a miner in the South Wales coalfields at the age of 14.

As for what changes he may make, Jervis feels the need to tread carefully and soundly.

"The City view seems to be to expect us to do something big, but we are in a long race, not a 100 yard sprint," he says.



Non-executive directors

Michael Walker, chairman of Sidlaw Group, has become chairman of BRITISH HELICOPTERS, the management buy-out from the Maxwell private group of companies, which operates helicopters in the North Sea oil and gas industry. Walker, well known in the Scottish oil industry through a subsidiary of Sidlaw, Aberdeen Service Company North Sea, takes over as chairman from David Wills, md of Brown Shipley Venture Managers, one of the investors in the mbu.

Alison Carnwath has retired from CULLEN HOLDINGS.

Baroness Sally Oppenheim-Barnes has retired from The BOOTS Company.

Richard Malthouse, former senior partner at McKenna & Co and a non-exec at the UK subsidiaries of Procter & Gamble and CBS, at VOLEX.

Tom Marshall (Osborn), chief executive of Lambert Smith Hampton, at CHESHIRE BUILDING SOCIETY.

David White, a corporate board director at Bivwater, at BOURNEMOUTH WATER and WEST HAMPSHIRE WATER.

Cameron McLatchie, chairman and chief executive of British Polythene Industries, at MOTHERWELL BRIDGE HOLDINGS.

John Small, former ceo of United Glass Holdings, at ENTERPRISE COMPUTER HOLDINGS on the resignation of Shaun Dowling because of "heavy commitments elsewhere". Dowling is executive chairman of Harbstone.

John Craddock as president of LINGAT GROUP having retired as an executive director.

Baroness Hooper, deputy speaker in the House of Lords and a member of the parliamentary delegation to the Council of Europe and Western European Union in 1992, at PROVIDENT LIFE.

Bruce Farmer, ceo of Morgan Crucible, at SCAPA GROUP.

David Snaman as SPENCER, chairman of PIRA International, at BARRY WHELMILLER International and at PLYSU.

Peter Parkin, chairman of Raine and a director of RJB Mining, at VICTAULIC.

David Heywood, previously deputy chairman of BAT, at Q5 HOLDINGS.

David Cunningham as chairman at WATERGLADE INTERNATIONAL HOLDINGS, and Peter Volker, both having stepped down from being executive.

Upheaval at Abbey National

The departure of Stewart Gowans, 33, the most responsible for refurbishing Abbey National's public image, has precipitated an unusual amount of upheaval in Abbey National's public relations department.

After seven years as head of corporate affairs at Abbey National, Gowans has set up his own consultancy - Meridian Corporate Communications. Along with partner Trevor Gardiner, he has taken offices in Leicester Square. Gowans, who had indicated some time ago that he intended to move on, quit in May and Paul Barber and Paul Burgen, two other members of Abbey's pr team, have left within the last month.

Abbey National has decided

to replace Gowans with an insider. Jane Ageron, 29, (below), a Cambridge classics graduate, joined Abbey in 1988, after working as a pr consultant with Broad Street Associates, the firm which handled Abbey's conversion to a public company and flotation.

Leena Nagrecha has been appointed joint secretary of Abbey National Treasury Services in place of Ray Nagrecha.

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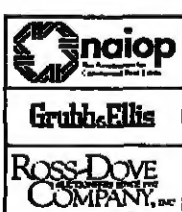
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NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTION 8(5) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows:

- He proposes to grant a licence under the Telecommunications Act 1984 ("the Act") to Telstra (UK) Limited ("the Licensee") to run telecommunication systems throughout the United Kingdom. The licence will be for a period of 25 years subject to earlier revocation in specified circumstances.
- The principal effect of the licence will be to enable the Licensee to install and run telecommunication systems throughout the United Kingdom. The Licensee will be able to provide a wide range of services but excluding mobile radio services and certain international services. The licence authorises connection to a wide range of other systems including earth orbiting apparatus allowing the provision of some types of international satellite service. On securing a share of 25% or more of the market in respect of particular services in an area specified by the Director General of Telecommunications, the Licensee may be obliged to make available those telecommunication services to all who reasonably request them within that area.
- The licence will be subject to conditions such that section 8 of the Act will apply to it, thereby making each of the systems run under the licence eligible for designation as a public telecommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate each of the Licensee's systems as a public telecommunication system.
- The Secretary of State proposes to grant the licence in response to an application from the Licensee for such a licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.
- Representations or objections may be made in respect of the proposed licence. They should be made in writing by 8 October 1993 and addressed to the undersigned at the Department of Trade and Industry, Telecommunications and Posts Division, Room 2.54, 151 Buckingham Palace Road, London, SW1W 9SS. Copies of the proposed licence can freely be obtained by writing to the Department or by calling 071-215 1756.

P J Kirby
20 August 1993
Department of Trade and Industry

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Federal Ministry of Posts and
Commerce, Germany

Mr Richard Goswell
Mercury One-2-One

Dr Tim Howell
Commission of the European
Communities

Reich's 'The Cave' reaches London

In quick time *The Cave* has proceeded from Vienna (premiere in May) via Berlin and Amsterdam to a six-day stint at the London South Bank Centre. Paris, Brussels and New York are set to follow. The music-theatre-cum-documentary epic by Steve Reich (music) and Beryl Korot (video images) is receiving a high-class launching. Reich's status, and the fact that this is the latest, largest and most ambitious of his multi-medium compositions, would seem to demand no less.

As Andrew Clements reported on this page in July, after the Amsterdam Festival showing, *The Cave* is a three-part, three-hour melange in which excerpted interviews are interwoven with visual images and musical episodes inspired by the presence and the actual words of the interviewees. The purpose is to contrast Jewish, Arab and American attitudes to a crucial piece of

Holy Land religious history - the relationship of Abraham, Sarah, Hagar, Ishmael and Isaac - in a way to pinpoint conflicts, dilemmas and misunderstandings both ancient and modern. Act 1 is the Israeli act, Act 2 the Palestinian; in Act 3, which focuses on the much more detached responses of Americans, threads of summing-up are drawn together.

As witnessed at the opening Festival Hall performance on Wednesday, the installation gleams and glitters impressively - a large metal set-up enclosing five video screens amid walkways and stations for singers and players, a structure simultaneously practical and poetic. The package is expertly glossy, the presentation faultlessly crisp and confident. The technological aspects of the three-part unfolding, the linkage of "live" musical sounds and statements and screened pictorial and verbal information, are

achieved with considerable dexterity.

For a while the fascination with "how do they do it?" keeps concentration from flagging. Thereafter nothing can disguise the banality of the experience, the flimsy, flat-tongued, repetitious quality of juxtaposition and counter-statement, the stupefyingly predictable patterns of Korot's image-creating devices. Amplification of all the sounds crushes the dynamic range to a uniform loudness, restricting the expressive range of the "live" musicians in wearying parallel.

In interview Reich has made much of the way his musical lines pick up and underscore the inflections of all the speakers, essaying comparisons with Janáček's celebrated method of creating musical cells out of "speech rhythms" that in no way work to his advantage. The systemic patterns of Reich's musical lines, which could well bear

repetition on their own, become nightmarishly tedious when linked to words far less capable of supporting similar repetition. Quite soon into Act 1, as a phrase such as "Almost a pale figure" issued from the speakers for what seemed the millionth time, I wanted to scream "Yes, yes, we get the point, now for heaven's sake get a move on!"

In sum, I thought this a project boldly imagined but, in terms of basic material, numbingly dull, insubstantial and longwinded in the execution. If, as has already been loudly proclaimed, this is "serious art for the MTV generation" and "a glimpse of what opera might be like in the 21st century", then all I can say (with Samuel Goldwyn) is: include me out.

Max Loppert

Royal Festival Hall, London SE1; daily performances until Monday



Caroline O'Connor, Guy Oliver-Watts and David Dale

Theatre Hot Stuff

Yet another rock musical has opened in London's West End, and even for non-addicts the cult has a certain attraction. This consists largely of watching other people so evidently - and harmlessly - enjoying it.

Hot Stuff has arrived at the Cambridge from the Haymarket Theatre, Leicester which is developing a musical style of its own. Basically it is an excuse for going through the pop songs and stars of the 1970s. Not all of them are immediately recognisable and the diction

is less than distinct. Still, the audience applauds each new number as soon as it starts.

There is the veneer of a plot picked up from the Faust legend: a young man who gives up everything to become the greatest rock star in the world. A screen in the background records what happens in the decade: not only the resig-

tion of President Nixon and the fall of Saigon, but also the decaying nature of the world of rock.

"Nothing could be worse than the last 10 years," says someone towards the end. Then Mrs Thatcher appears in 1979 and David Dale, who has been playing Helen of Troy throughout, does the prime minister in drag. Paul Kerrison directs and the whole show is mildly infectious.

Malcolm Rutherford

Cambridge Theatre (071) 494 5080

Grown-up graffiti

Michael Glover on Jean-Michel Basquiat

His trajectory was that of a shooting star. Discovered on the streets of New York City by an art critic before he reached the age of 20, where he was scrawling graffiti (signed: SOMA) on the walls of Soho and Greenwich Village; quickly taken up by dealers and gallery curators alike; followed by an astonishing, though fitful, flow of work that ended abruptly at the age of 27, when he died of heroin addiction like two of his heroes, the musician Jimmie Hendrix and the singer Janis Joplin.

That is the life-story of Jean-Michel Basquiat, quintessential New York painter of the 1980s, who recently enjoyed a major retrospective at the Whitney and is currently having a second large show, in Europe this time, at the Museum of Contemporary Art in Lausanne.

Basquiat, Puerto Rican on his mother's side, Haitian on his father's, was both more and less than the legend of his life. Though born in Brooklyn, his childhood was not a deprived one. Though his art blazes with anarchy, he was not the wild, untutored boy that his early sponsors sometimes pronounced him - and perhaps even hoped he might be. He drew from childhood onwards and his mother nurtured his passion for painting and drawing by taking him regularly to the major museums and galleries of New York City. The work itself is full of painterly references.

The Lausanne show charts his progress year by year, though that word progress is itself a misnomer.

In a sense, there was no progress - it was all too hurried, too explosive, too frenetic. What his paintings and recordings record, in canvases that seem with signs and symbols, words combining street slogans and menu listings, images of African masks, cartoon heroes and much else, are the violent disharmonies of his own inner and outer worlds - that trick he had, for example, of scribbling a statement across a painting and then immediately crossing it out.

Basquiat has been many things to many critics. Because he painted images of Lester Young and Charlie Parker, and himself played the clarinet and the synthesiser, he is said to be predominantly a jazz artist and his paintings and drawings the visual equivalents of jazz improvisation. Because his mature work grew out of a graffiti-based art and he once took it into his head to list the per capita incomes of the states of America down the middle of one of his canvases, he is said to be a political artist. Because he used so much language in his work and juxtaposed his words with such unpredictably humorous results, he was, according to yet another, a concrete poet of the first order.

Two things are certainly true. In the words of one admirer, "he lived his life like a fire: he went out with the coals still hot." And he had a marvellously insolent way - like the young Bob Dylan - of seeing off some of the parasites who surrounded him. Interviewer: "Do you have any Haitian primitives at home?" Basquiat: "What, you mean people?"

liaison provide a sparser, even - in the case of "China Girl" - melodic contrast, without sacrificing the hard edge.

The show ends with a chaotic encore: more stage diving, more trapeze dropping. Bear glasses start to fly, one particularly large fan tries to wrestle his way on stage. And Iggy drags rock music back into the primordial ooze with a basic version of "Louie Louie", the most basic of rock and roll songs. He has squared the circle, proved that the basics of rock music have hardly changed in 30 years. Here is the raw stuff from which life forms as diverse as Deep Purple, the Sex Pistols and Nirvana evolved. Scientists should take samples of Iggy's DNA for the benefit of later generations.

Pop concert/Peter Berlin

Iggy Pop 25 years on

In a rock and roll's Jurassic Park, a theme park where revived creatures from another age stalk the stage failing to scare the children but taking money from their parents, Iggy Pop is one of the few dinosaurs who still has all his own teeth.

Iggy has been at it since the late 1960s. His recorded output has been patchy, but on stage he still gives a masterpiece in the essence of rock music. His three-piece band dress dully and stay in the background. They provide a simple musical stage for Iggy's star turn with pounding drums, relentless bass and very loud power chords spiced up by occasional, but brief, screeching guitar solos. "I Want To Be Your Dog", 24 years old, fits seamlessly alongside songs from Iggy's latest album *American Caesar*.

If Iggy has learnt anything in 25 years on stage it is how to exploit his talent for rock theatrics. He starts the show bare chested, his scrawny but well-muscled torso thrust forward. He yelps, he pouts, he stamps, he jumps. He marches round with a peculiar stiff-legged, arthritic strut. He clambers on to speakers, he smashes microphone stands, he falls over. In the pause after just the third number he dives off the stage, to the evident surprise of his band and roddies, to be caught, pawed and clung to by the crowd and has to be dragged back on stage. He drops his ripped jeans

and hops round the stage like a naughty child who does not want to go to the loo. He pulls out his penis to provide a clear demonstration of the link between sexual excitement and rock music. "All the world's a stage," he sneers during the encore. He applies his talent for the dramatic to the music as well. He has a few aces up his sleeve and plays them cleverly. "Raw Power", forever the simple, crashing, statement of what Iggy stands for, is the second song. Other early Stooges numbers pop up later: "No Fun" builds to a frantic sustained climax. The songs from the Bowie

Phoebe Anna Traquair (1852-1938): 150 paintings, embroideries, illuminated manuscripts and decorative enamels by one of the most accomplished artists of her generation. Ends Nov 7. Ends Oct 8. Daily City Art Centre The Walking Dream: the only British showing of the privately-owned Gilman Paper Company collection of photographs, charting the development of photography from 1839 to 1939. Ends Oct 2. Daily Combined tickets can be bought for all major exhibitions during the Edinburgh Festival. Admission to the permanent collections is free. Information: tel 031-558 8921.

FLORENCE Casa Buonarroti Michelangelo - 18 masterpieces: these are the top drawings out of the 200-strong collection owned by the Buonarroti Foundation. All are of the highest quality, and all are signed by the artist. Ends Oct 30. Galleria del Costume di Palazzo Pitti Fashion at the Court of the Medicis. Ends Dec 31.

GLASGOW Burrell Collection A Celebration of Art in Nature: an exhibition celebrating the tenth anniversary of the building which houses one of the most prestigious public art collections in the world - the Burrell Collection. Ends Nov 10. Daily Hunterian Art Gallery Charles Rennie Mackintosh, Master of Design: drawn entirely from Glasgow University's own Mackintosh collection, some 50 works illustrate his remarkable versatility, including designs for

clocks, doors, tombstones and textiles. Ends Aug 28. Closed Sun HILDESHEIM Roemer und Pelzeaus Museum Bernhard of Hildesheim and the Age of the Otto Dynasty: an exhibition of silk, crystal, illuminated manuscripts, wall coverings, bronzes, goldsmiths' work, religious reliquaries and other treasures marking the 1,000th anniversary of the appointment of the influential Hildesheim bishop, who was an advisor to medieval German emperors and a patron of the arts. Ends Nov 28. Daily

LAUSANNE Musée d'Art Contemporain Jean-Michel Basquiat (1960-88): 100 paintings and drawings by the Brooklyn artist whose images often reflect the harsh realities of street life. Ends Nov 7. Daily Fondation de l'Hermitage Monet and His Friends. Ends Sep 26. Closed Mon

MUSEE Cantonal des Beaux-Arts Belthuis (b1908): more than 80 paintings and drawings by the French-Polish painter with a capacity to surprise and shock. Ends Aug 29. Closed Mon LONDON Hayward Gallery Aratjara: the largest exhibition of Aboriginal art to be seen in Europe. Ends Oct 10. Daily Royal Academy of Arts Pissarro's Series Paintings. Ends Oct 10. Daily Tate Gallery Art and Liberation: painting and sculpture in postwar Paris 1945-55. Ends Sep 5. Edward Burne-Jones: sketches from the museum's collection. Ends Nov 7. Daily MARTIGNY

Fondation Pierre Gianadda Degas: his entire work as a sculptor. Ends Nov 21. Daily

MUNSTER Landesmuseum 1,200 Years of Visual Art in the Bishopric of Münster: altar paintings, sculptures, goldsmiths' work, book illustrations and drawings from the early Middle Ages to the 19th century, illustrating how art and religion went hand in hand in the history of one of Germany's oldest cities. Ends Oct 31. Closed Mon

NEW YORK Guggenheim Museum Paul Klee: 50 works from the museum's own collection. Ends Sep 19. The main museum is closed on Thurs, the SoHo site on Tues Metropolitan Museum of Art Nudes: 30 works by Scheele, Klimt, Chagall, Picasso and Munch. Ends Oct. Paul Klee: 26 drawings. Ends Oct. Abstract Expressionism: works on paper 1938-67 by American artists. Ends Sep 12. Closed Mon Museum of Modern Art Latin American Artists of the 20th century. Ends Sep 7. Closed Wed

PARIS Louvre French Drawings from the Pierpont Morgan Library: beginning with works from the 14th century, the exhibition reaches its climax with 18th century masterpieces by Watteau, Fragonard and La Tour, and some great names from the 19th century, including Degas, Cezanne and Gauguin. Ends Aug 30. Closed Tues (Favillon de Flore)

ROME Palazzo degli Esposizioni Italian Journey: landscapes by 19th century Italian artists. Around 60 oils and watercolours follow

the well-trod path of the Grand Tour, from Ivanov's mirror-still Grand Canal in Venice, down to Zarni's dramatic rendering of the waterfalls at Tivoli and a delightful group of small oils showing the Neapolitan coast by moonlight. Ends Aug 30. Also Art and Architecture - Richard Meier and Frank Stella: scale models and plans relating to the successful museums built by Meier, shown alongside the huge, garishly-coloured geometrical work of Stella, his life-long friend. Ends Aug 30. Closed Tues

Saint-Benoit Centre Archaeological Museum Gauguin and painter-friends in Brittany: the exhibition aims to show just why the Brittany of Pont-Aven and Le Pouldu was a chosen land for Gauguin and fellow-artists Emile Bernard and Paul Serusier. Ends Nov 7

WASHINGTON Hirshhorn Museum Jean Dubuffet: 97 paintings, sculptures and assemblages by the unconventional 20th century French artist. Ends Sep 12. Daily Phillips Collection A Dialogue with Nature: part three of a series devoted to nine contemporary sculptors. Ends Oct 10. Daily

INTERNATIONAL ARTS GUIDE

A new era at the English National Opera begins next Thursday with the first performance under the incoming management team of Dennis Marks and Stan Edwards. But much of their initial programme is taken over from their predecessors: the opening two weeks, for example, are given over to revivals of Simon Boccanegra (with Gregory Yuritsch in the title role) and Street Scene (with Josephine Barstow), while David Pountney and Mark Elder - pillars of the old regime - feature prominently in the course of the season. The first new production is *La bohème* on September 15, staged by Steven Pimlott and conducted by Edwards, with a cast led by Roberto Alexander. Wagner returns to the ENO for the first time in eight years with a new production of *Lohengrin* (Nov 20), conducted by Elder, produced by Tim Albery and designed by Hildegard Bechtler.

with a cast led by Edmund Barham. The season's other new productions are Smetana's *The Two Widows* produced by Pountney, starring Marie McLaughlin (Dec 20), Der Rosenkavalier conducted by Yakov Kreizberg and staged by Jonathan Miller, with a cast led by Anne Evans and John Tomlinson (Feb 2), the world premiere of Judith Weir's *Blonde Eckbert* (April 20) and Così fan tutte with Vivian Tierney (May 5).

Madama Butterfly opens the Royal Opera season on September 11 (with Diana Soviero and Neil Shicoff), followed by *L'italiana in Algeri* starring Marilyn Horne and Ruggero Raimondi (Sep 18). The first new production is *Die Meistersinger* on Oct 8, conducted by Bernard Haitink and staged by Graham Vick, with a cast led by John Tomlinson, Thomas Allen and Nancy Gustafson. The season comprises 20 operas, seven of them in productions new to Covent Garden. These include Massenet's *Chérubin* conducted by Gennadi Rozdestvensky (Feb 14), Giordano's *Fedora* with Mirella Freni and José Carreras (May 9) and *Aida* conducted by Edward Downes and staged by Elijah Moshinsky (June 16). Among the revivals are Eugene Onegin (Oct 21), Tosca (Dec 4) and Gawain (April 14).

EXHIBITIONS GUIDE

ANTWERP Museum Mayer Van den Bergh The Triumph of Death (1628): a recently-discovered painting by Pieter Bruegel the Younger. Ends Dec 31. Closed Mon Hesse House Story of a Metropolis: a portrait of Antwerp's golden age in the 16th and 17th centuries. Ends Oct 10. Closed Mon

Onze Lieve Vrouwkathedraal Antwerp altar pieces of the 15th and 16th centuries. Ends Oct 3. Daily BASLE Kunstmuseum Picasso: drawings covering all periods of the artist's work, selected from the museum's collection and supplemented by loans from the Schaub-Tschudin Foundation. Ends Oct 10. Daily Museum für Gegenwartskunst Rémy Zaugg (b1943): 150 large screenprints. Ends Sep 26. Closed Mon

EDINBURGH National Gallery of Scotland Holbein and the Court of Henry VIII: 28 portrait drawings and five miniatures from the unrivalled royal collection at Windsor. Ends Sep 26. Daily Scottish National Gallery of Modern Art Russian Painting of the Avant-Garde: a survey of the extraordinarily fertile period in 20th century Russian art before the Stalinist suppression of innovation and experiment. Ends Sep 5. Daily Royal Scottish Academy The Line of Tradition: 300 watercolours, drawings and prints by Scottish artists from 1700 to the present day. Ends Sep 12. Daily Scottish National Portrait Gallery

US airlines, struggling after three years of heavy losses, once had high hopes that the government would help them return to health. But now they realise they will have to find their own cure.

A much-heralded report from a government commission on airline competitiveness was not even off the presses before important recommendations started to fall by the wayside.

Some of the more ambitious suggestions are widely viewed in Washington as having only a slim chance of passing Congress - notably the proposal that foreign companies should be allowed to raise their voting stakes in US airlines to 49 per cent from 25 per cent. In the past, both British Airways and KLM, the Dutch national carrier, have had plans to take large stakes in loss-making US airlines frustrated by this limit.

The commission also recommended exempting airlines from the new transportation fuel tax included in President Bill Clinton's budget. But in the search for revenues to wrap up a deal that would get the budget through Congress, the exemption was trimmed back to two years only.

In many ways, the commission, set up in April, has come along too late. Its recommendations have had no influence on the budget debate.

Above all, most big carriers have already taken significant measures to restore profitability, by downgrading some expensive "hub" airports, and cutting domestic networks to concentrate on profitable routes. Others have built up new sources of revenue from providing logistical and consultancy services to other airlines.

It is as well that they have done so, for the commission concluded that the airline industry's problems were not so much the result of structural dysfunctions that could or should be remedied by government as of the airlines' own mistakes.

The report notes that much of the decline in profitability has occurred in short-haul markets because of competition from low-cost airlines.

"Average yield declines in these markets are not indicative of irrational pricing behaviour, but of the fact that a large proportion of domestic traffic flows in markets where these low-cost airlines operate. While this development has depressed the yields and profitability of higher-cost airlines in the short term, it is evidence of

Airlines must fly solo

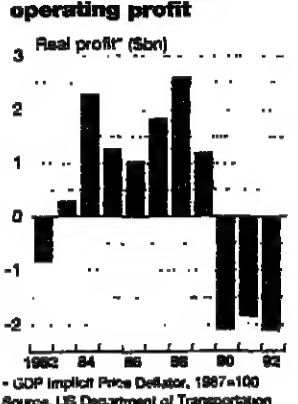
The US government will not rescue the industry, says George Graham

a dynamic competitive process," the report concludes.

This process has by no means worked itself out. Southwest Airlines, the one leading carrier that has remained profitable, is expanding to the north-east, and is currently engaged in a fare war with USAir which has seen prices for a Baltimore-Cleveland ticket drop as low as \$19.

The report also points the finger squarely at management

Leading US airlines' operating profit



Source: US Department of Transportation

errors. "The industry itself, primarily by taking on excessive debt, must bear its fair share of the burden for its current state," the commission writes, citing the 1992 summer fare war, and a pattern of ill-timed expansions, as well as the creation of too many connecting hubs.

Nevertheless, the report does identify some areas where government could take measures to help the industry.

In the tax area, the commission concludes that the federal government places a large and disproportionate burden on the airline industry, which should "no longer be viewed as revenue generating machines for

the government".

Besides the recommended two-year exemption from the transportation fuel tax, the report argues for rolling back the ticket taxes levied on airlines. However, the current reluctance of Congress to pass anything which reduces government revenues makes this proposal seem unlikely to generate much support. Skepticism over congressional reaction is shared by the International Air Transport Association, which represents most of the world's airlines.

More radically, the commission proposes a complete restructuring of the Federal Aviation Authority as an independent corporation, which would remain under government control but would have its own budget safe from raids by Congress and would be able to issue bonds to finance capital improvements. Such improvements are badly needed, the commission says.

It also advocates a satellite-based navigation and control system which could save the airline industry \$8bn a year through reduced delays and improved routing.

The prospects for effective modernisation are not encouraging. The authority is behind schedule and billions over budget on its 1992 modernisation plan. The commission recommends a public-private consortium to develop and implement improved technology.

In the international arena, the commission argues for a complete redrawing of the patchwork of bilateral air traffic agreements that governs world aviation, urging an effort to reach liberal multilateral agreements. The US is in the middle of renegotiating a bilateral accord with the UK and is about to start talks with Germany.

A multilateral air agreement is viewed by most industry observers as a distant pipe-dream. The advantages of such an accord would accrue disproportionately to the US. But it is unlikely to be agreed at all as long as Congress remains reluctant to permit foreigners to own bigger shares in US airlines.

In the end, the cure is in the hands of the carriers and their ability to take advantage of a slowly improving economic climate. "They have learned... in the future they will be more conservative," says Mr Clifford Winston, an economist at the Brookings Institution, a Washington think tank.

Additional reporting by Lisa Branstetter and Daniel Green

Britain's A-level examination results, which yesterday showed more pupils passing and at better grades than ever before, have intensified a funding crisis at universities. Ironically, this success will almost certainly mean other students having to pay at least part of their tuition bill in the future.

Universities have made more offers of places than they can afford. No student who has fulfilled the conditions set will be turned away this year, but universities will reject more candidates than usual who have only narrowly missed their target results. Unless more money can be found, next year they will reduce the number of places on offer.

The latest dilemma for universities comes after a war of attrition with the government over funding that has lasted since the early 1980s. Ministers are eager for more students to enter higher education, but have not addressed the other side of the equation: how the extra places are to be paid for.

Mr John Patten, education secretary, who should take responsibility for a decision on raising funds from students, has continued. An earlier shot came in May when vice-chancellors requested an extra £3.2bn for capital spending on top of sums already announced for 1993-94. They claimed £1.35bn of capital funding was needed just for backlog maintenance.

Adding to the pressures, applications for the academic year about to begin have increased by between 6 and 7 per cent. And yesterday's results show that the proportion of A-levels passed with one of the top three grades - usually required by universities - rose by 1.6 per cent.

Something must now give. The most likely result is that those universities that have to accept more students than they can afford this year will cut back the offers they make next year by several thousand.

Such forces lie behind the report today of the Committee of Vice-Chancellors and Principals on alternatives for raising extra finance for higher education from students themselves. Without extra funds from somewhere, the committee warns, the ideal of mass higher education, as envisaged by the Lord Robbins' committee of inquiry report in 1963, would have to be abandoned. University heads will debate the vari-

Out of pocket for making the grade

John Authers says good A-level results may mean students paying more for university education

ous forms of taxes on graduates and announce a favoured alternative at the end of a meeting of the vice-chancellors committee on September 23.

For the government, the prospect of raising an extra tax, even if it affects only one section of the population, is not appealing - particularly one that is likely to hit more affluent families the hardest.

In 1984, faced with a revolt by backbench Tory MPs and by many middle-class parents, the Thatcher government executed a climbdown over the then education secretary Sir Keith Joseph's proposal that students should pay towards their tuition. With a smaller parliamentary majority, Mr John Major will be reluctant to risk a repeat of that episode.

So the "awkward game of tennis", as one vice-chancellor puts it, between the government and universities, over who should take responsibility for a decision on raising funds from students, has continued.

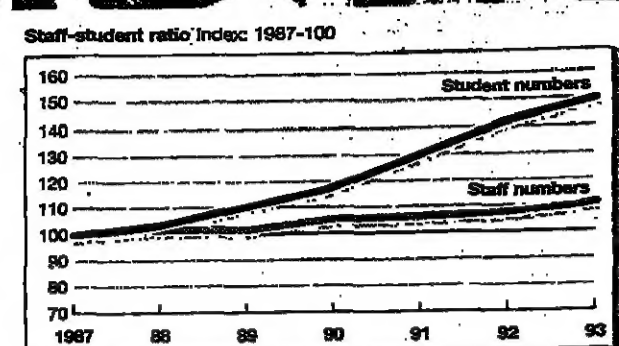
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UK universities: the funding gap



Source: Department for Education Expenditure Forecasts 1994-5

Boswell, higher education minister, refused to block Prof Ashworth's plan, although he denied he would encourage it. In the end, the ruling academic board of the LSE voted against the proposals. Today the vice-chancellors' committee has taken the debate further by suggesting four methods of raising money from students, which would all delay payment until the students have graduated and are earning salaries. The idea is that the income of a pupil's family should have no impact on their decision to apply and that graduates who choose not to seek higher paid jobs should

not be disadvantaged. The options are: ● A graduate tax. Graduates would pay a higher rate of income tax than non-graduates throughout their working lives. Graduates could start paying the extra tax once their income had passed a certain level. All funds raised from the tax would be earmarked for universities. ● A tuition fee paid through a loan. Repayments would be made via higher income tax payments, as with a graduate tax, so those with lower incomes would take longer to repay. London Economics, the consultancy which produced

LETTERS TO THE EDITOR

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Speculation an inevitable result of ERM

From Prof Steve H Hanke

Sir, Your editorial, "An attitude that remains elusive" (August 12), concludes that the French and Anglo-Saxon views about currency speculation are in sharp contrast with each other. The French treat speculative activity as immoral whereas Anglo-Saxon countries consider it a legitimate and integral part of the free-market process.

The ink had not yet dried on your editorial before Mr Edouard Balladur, France's prime minister, confirmed your thesis. Indeed, on the evening of August 12 Mr Balladur castigated speculators and called for reforms to clamp down on them. President François Mitterrand joined the French chorus the next day when he said: "I find it insane and immoral that speculation, using billions of dollars, can have its way against states representing their people's interests and

upset the daily life of millions of people" ("Mitterrand lashes out at speculators", August 16).

That French attitude is nothing new. In the good old tradition of the "terror", Mr Michel Sapin, France's finance minister in the most recent socialist government, reacted to the events of September 1992 with remarks that were destined to gain him a prominent place in the foreign exchange annals. He said: "I will fight, we will fight, France and Germany will fight this speculation, which is based on no economic fundamentals. During the French Revolution such speculators were known as 'agiotageurs' and then were beheaded."

Alas, whenever their currencies are weak, politicians on the Continent embrace primitive ideas about speculation and concomitant conspiracy theories. This is an old and venerable tradition. For example, towards the end of the 18th

century the Hanseatic League, the association of merchant towns in northern Germany, then on the decline, accused the Merchant Adventurers, English businessmen specialising in imports, of immoral speculation against the league's currency.

Using speculators as scapegoats is just a pathetic ruse to cover up bad government policies. If politicians were consistent they would not only criticise speculators when currencies were weak but would also sing their praises when currencies were strong. That, of course, would be absurd. Government policies, not speculators, cause currency values to fluctuate. Speculators are just the messengers who deliver the news.

In the interest of elevating understanding about exchange rate regimes the French politicians should eat some humble pie, eschew their planned sum-

mer reading and delve into serious economic literature. A recommended point of departure is "Achilles heels in monetary standards", in the American Economic Review, March 1990. That classic article by Professor Frank D Graham describes why pegged but adjustable exchange rate regimes, such as the exchange rate mechanism, open the floodgates of disruptive, almost riskless, speculation because "sure things never lack enthusiastic takers... including banks that are shrewdly administered".

Until the ERM is abandoned to the proverbial dustbin of history we will see the same scenario repeated over and over again.

Steve H Hanke, professor of applied economics, Johns Hopkins University, Baltimore, Maryland 21218-3688, US

Putting the case for self-interest

From Dr I Feng

Sir, First we were told that tax cuts would benefit the poor through "trickle-down". Now it is "improved incentives for entrepreneurs".

However, in his article "The case for redistribution" (August 16) Michael Prowse unwittingly confirms the suspicions of those who think such arguments are simply a cloak for naked self-interest on the part of the journalists and other professionals who advocate them.

As an example of a wealth-creating entrepreneur, whose taxes must speedily be cut in order that he may be stimulated to create new jobs, Mr Prowse cites... a freelance journalist.

I Feng, 34 Rue St-Senech, Paris, France

Chemicals industry improving its record

From Mr John C L Cox

Sir, The UK chemicals industry is one of Britain's most successful manufacturing sectors and one of the most frequently criticised on environmental issues. Yet it is almost certainly the sector most publicly committed to improving its environmental performance.

Since 1989 the industry has adopted the international Responsible Care voluntary programme for performance improvement in health, safety and environmental matters. My association represents most of the UK industry and membership is conditional upon participation in the Responsible Care programme. We have just published, as a first for UK industry, a three-year range of Responsible Care performance data for the industry. We intend to publish more.

Deepening recession may have caused environmental priorities to wane elsewhere but not in the chemicals industry. Despite the recession the sector has continued to spend an increasing percentage of its total capital outlay on environmental protection. Indeed, in 1992 the industry made capital and operating expenditure totalling £1bn on environmental protection. Less than 55 per cent of that was required in order to comply with legisla-

tion. There are a range of problems associated with developing and implementing environmental legislation at European Community and UK government level, and for the law-makers and for industry. The chemicals industry continues to work with legislators to help create a civilised policy on the environment. We are making much progress towards an accord on what is desirable and workable.

John C L Cox, director-general, Chemical Industries Association, Kings Buildings, Smith Square, London SW1P 3JJ

Spare a thought for European non-smokers

From Mr Onésimo Alvarez-Mora

Dr M Singer should spare a thought for us European non-smokers who will not be returning to a country where smoking has been made almost unconstitutional (Letters, August 18 and 19).

If a substantial majority of European residents are non-smokers, as statistics suggest, then the European tourist industry has a much bigger market to think about than Dr

Singer suggests. Unfortunately, things move slowly and, while we are delighted to welcome Dr Singer back to our shores, US tourist dollars will probably not cause the changes required.

The real changes to protect non-smokers will happen when that silent majority stands up and complains. Otherwise we will have to continue to rely on vocal US tourists and the one or two of us who are labelled as cranks.

Far from being an American pleasure, as Dr M Davis suggests, smoking can be described as the true Montezuma's revenge, given all the death and destruction it has caused.

But come back to Europe, soon, Dr Singer. European non-smokers need all the help we can get. Onésimo Alvarez-Mora, O'Donnell, 6 A-9-1, 28009 Madrid, Spain

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Friday August 20 1993

Germany's challenge

THE THIRD year of unification has, says the latest OECD report on Germany, brought "mixed results". So, indeed, it has. It has brought a deep recession, for one thing and declining inflation, for another. Fortunately, German economic policy should soon weigh heavily on its neighbours, even if its own struggle with unification will remain long and arduous.

The immediate economic effect of unification on the east German economy was collapse. In 1991 east German real gross domestic product fell by 31 per cent. For west Germany and its neighbours, however, it was expansionary. With German demand rising still faster than did output, its current account swung from a huge surplus of 5 per cent of GDP in 1989 to a deficit of 1½ per cent in 1992, to the delight of its European neighbours.

The delight was not to last. The inflationary effects of unification were a red rag to the Bundesbank, already provoked by Mr Kohl's casual treatment at the time of the monetary unification. Monetary policy was bound to tighten, particularly in response to the wage push of 1991 and 1992. But the Bundesbank is finding it particularly difficult to lower inflation this time, largely because inflationary pressure has emanated from the public sector, private services and housing and construction, while inflation in the internationally exposed sectors is already less than 2 per cent.

However difficult lowering inflation may prove, nothing will stop the Bundesbank from trying. Given the tight monetary policy, the dwindling away of the fiscal stimulus and the length of the preceding expansion, it is hardly surprising that the German economy shrank at an annual rate of 1.5 per cent in the second half of 1992. In addition, says the OECD, it will shrink by 3.2 per cent in the first half of 1993, with a weak recovery expected only next year.

When the Germany economy catches a cold, its ERM-died neigh-

bours are certain to sneeze. What has aggravated the disturbance has been the instability in German policies and economic performance. This at least should soon end. From the smoke of the past few years should emerge a Germany with massive, but manageable, structural problems.

The economy of eastern Germany is in ruins. The share of manufacturing in eastern Germany's value-added, for example, is down to 14 per cent, while the transfer-supported level of demand is almost double the total value-added. Eastern Germany needs a growth miracle. With hourly wages in 1992 65 per cent of the west German level, but output per worker at only 40 per cent, it is unlikely to enjoy one. This will leave western Germany with a huge transfer burden. Transfers are about 5 per cent of west German GDP this year and are likely to remain that high for years.

Nevertheless, the OECD believes the fiscal position is containable. The ratio of gross public debt to GDP should not much exceed 80 per cent by 2000, even with trend growth of only 2 per cent a year. Meanwhile, the Bundesbank is likely to ensure modest inflation, but reduce short term interest rates substantially quite soon. With an external deficit, as west German savings continue to flow eastward, this should mean a weak exchange rate (both nominal and real).

The first consequences of German unification was economic expansion. The second was contraction. The third, likely to last rather longer than the first two, should be recovery. Meanwhile, Germany's neighbours should enjoy greater competitiveness against the rest of the world, combined with reasonably stable exchange rates against the D-Mark and considerably lower short-term interest rates. Germany is only at the beginning of its long voyage towards economic and social integration. But with luck, both it and the rest of Europe will soon see the haven of recovery.

Focus at Kodak

GOOD CORPORATE governance requires much more than a management board which is stacked with successful independent directors. The latest and in some ways one of the most striking examples is to be seen in the story of Eastman Kodak, a world-class company which over the past 30 years or so seems almost to have gone out of its way to dissipate its resources. Now the price is being paid. Earlier this month, its chairman resigned; this week, the company announced that a further 10,000 jobs are to go by the end of 1995.

Kodak's culture is straightforward and serious minded. Around its boardroom table sit the likes of Coca-Cola's Roberto Goizueta, former chairman of the New York Stock Exchange, John Patten, and Dr Karlheinz Kaske, recently of Siemens. Its core business, silver-halide photography, has continued to expand over the years, and its research efforts have been productive.

Yet its catalogue of strategic

errors will stand as a casebook of the ways in which a corporation could go wrong in recent decades. There was complacency in the face of new competition from instant photography and from Japan, followed by debacle when its move into Polaroid's territory brought losses and heavy fines for patent infringements. There was the failure to exploit technological leads in areas like reprographics and publishing systems: inevitably, there was the enormously costly acquisition of a business about which it knew nothing.

These grim experiences have forced Kodak to reappraise its activities, and as a result it now appears to be regaining ground in some of its long-established business lines. But its story shows how feeble the business establishment can be when its own case needs shaking. Kodak's executives and its shareholders sat around politely through years of visible decline. Someone should have been prepared to be ungentlemanly years ago.

Barclays' man

IF A Hollywood casting director were asked to find someone to play the stereotypically reassuring banker, he would probably go for a man with an air of avuncular probity and enough white hair to compensate for the lack of a university education. Mr Martin Taylor, who is about to abandon his role as chairman and chief executive of Courtlauds Textiles for the chief executive's job at Barclays, could hardly be more different.

At a youthful 41, he suffers from a sharp intelligence, an Eton and Balliol pedigree and an early career in journalism, which is close to being a fatal handicap in commercial life in Britain. If not elsewhere. He also differs from another crucial respect from his future colleagues: he has run a quoted British company in an internationally competitive sector of industry with notable success.

If executives have crossed the line from industry into banking fairly infrequently, it is because the job of the deposit-taking and lending banker has traditionally been regarded as a specialised task. But as banking has moved from a cartelised, highly regulated business towards a more competitive, profit-maximising ethos, the skills of the industrialist have become increasingly relevant, notably in areas such as costing and financial control. The industrialist's skills are even more relevant when, as in Mr Taylor's case, he comes from a mature industry that has already confronted uncomfortable decisions. In banking the broad strategic choices are

by now well understood, but there are plenty of difficult nettles that have yet to be grasped.

Equally striking is the way in which the prudential culture of commercial banking has been eroded by the increased pressure for profits. The vast sums lost in Latin America and in property provide overwhelming evidence to that effect; and that alone would suggest that the old view of industrialists, as being too red in tooth and claw to be put in charge of fiduciary deposits, is anachronistic. Nowadays it is the bankers who inspire less confidence.

Yet it is important that those who do cross the fence from industry should grasp why it is that banking remains fundamentally different. For a start, the cost of any given misjudgment is magnified by the enormous leverage in bank balance sheets: a small wedge of capital supports a huge edifice of assets and liabilities. Another peculiarity of banking is that assets pressure in an equal and opposite direction is that big clearing banks will never be allowed to go bust. It follows that the chief executive of a clearing bank is, in effect, in a role of public trust and should recognise an implicit duty to the taxpayer in the way he runs the business.

In the final analysis, then, the test for Mr Taylor is as much a matter of judgment as of managerial expertise. He has to resist the temptation to outgrow the competition for the sake of it. The gravitas and grey hair will no doubt follow.

For a man of 41, Mr Martin Taylor has acquired a remarkable reputation in the British business community. The image is an unusual one: old Etonian, Oxford Chinese scholar, editor of the FT's Lex Column, chairman of Courtlauds Textiles. Ruggedly bright and hugely endowed with boyish charm. For all his success, a man without enemies.

He may be about to acquire some. As the new chief executive of Barclays Bank, he will enter a politically charged and perhaps hostile environment. Clearing bankers tend to be clanish and conservative. What will they make of an ex-journalist and manufacturer being parachuted in above them?

He has another problem. His appointment is the result of highly public pressure from shareholders on Barclays and its chairman, Mr Andrew Buxton, to split the roles of chairman and chief executive. In his new role, Mr Taylor will have a chairman and three divisional managing directors below him. What exactly will his function be? How does he know he is not being put in as a sop to shareholders?

"You just decide to trust people," he said yesterday. "I'm absolutely sure they want someone to do the job. I think they know I'm not the sort of person who'd hang around otherwise."

The last bit is characteristically adroit: the hint of steel, charmingly expressed. It is almost an effort to recall that as head of Courtlauds Textiles, he achieved his remarkable success at least partly by ruthlessly closing factories. "That's not a process that I relish," he says. "It's one of the most disagreeable things I've had to do."

He is a paradox in other respects. Financial journalists tend to be fearless folk: the better they are, the less likely they are to be able to run a wheel. Mr Taylor was a brilliant journalist. He has gone on to be a brilliant hands-on manager. It is no less paradoxical that in the bickery world of journalism, he is recalled as being both very clever and very popular. He is very fast in thought and speech: at one stage as a young man he underwent speech therapy, since his attempts to express the rapidity of his thought made him at times unintelligible.

But however quick he is, the size of his latest step must leave room for apprehension. Well, yes, he says. There are areas of terror. "The main one is that there's a huge organisation here and I don't know what goes on inside it. But I've been used to managing a business with lots of people in it. When I took over at Courtlauds Textiles in 1987 it had 35,000 employees. That's not nearly as big as Barclays, but it's of a size where plainly you can't know everyone."

Of course, he concedes, there is a risk that the culture will reject him. "If I behave stupidly, yes. There are dead certain ways of getting up people's noses, like not listening and pretending you know more than they do."

But his ignorance of banking, he argues, is not complete. "I've been interested in banking and credit all my life. I've always been seen in the tax industry as a City man. The irony is that now I'm here at Barclays, everyone says 'what the hell are you doing here? You're a manufacturer'. Perhaps I'm just a split personality."

He also claims another qualification, if a slightly indirect one. High street banking is a form of retailing. Nearly a third of Courtlauds Textiles' sales go to Marks and Spencer, the formidable successful retail chain. "I've been working very closely with Marks and Spencer for 10 years," Mr Taylor says. "What I've learned about from Marks is the way it thinks of its customers, and the way it sees the world through their eyes. I sense the banks are starting to do the same."

Mr Taylor might also with justice argue that the jump from Courtlauds Textiles to Barclays is no bigger than the jump from the Lex Column to Courtlauds. But there is one striking difference. When he went to Courtlauds, Mr Taylor went

Iron fist in a velvet glove

Is an ex-journalist and Mandarin scholar the right man to run a UK clearing bank, ask Tony Jackson and John Gapper

as the protégé of Sir Christopher Hogg (Sir Christopher, now chairman of Reuters and the Courtlauds chemical empire, is to replace Mr Taylor as chairman of Courtlauds Textiles.)

Age difference apart, the two men are rather similar: thoughtful and intellectual in approach, courteous in demeanour. Sir Christopher was undisputed master of Courtlauds, and could allow the young Taylor to blossom under his tuition. Indeed, Mr Taylor's move to Barclays has been materially assisted by Sir Christopher's willingness to step back into his shoes. "There's been tremendous co-operation between the two companies," Barclays' chairman remarked yesterday, "with Christopher Hogg at the heart of that."

At Barclays, by contrast, Mr Taylor may be entering a more hostile world. He can doubtless rely on the support of Mr Buxton, the chairman, whose position recently has come under fire. If Mr Buxton's position were as unchallengeable as Sir Christopher's, he would not have needed Mr Taylor in the first place.

As it is, Mr Taylor faces three main challenges. The first is whether he will be able to work amicably and effectively with the other senior executives. The second is whether he will be able to improve the quality of management, both within its traditional banking operations, and its BZW investment bank. The last is whether he will agree the correct strategic decisions with Mr Buxton over the next five years.

The challenge of fitting into the bank's senior management structure is considerable. Apart from Mr Buxton and Sir Peter Middleton, the deputy chairman, Mr Taylor will be trying to work with the chief executives of the three divisions: banking, BZW and the technology-related service businesses. The relationship with Sir Peter has been the subject of most speculation, since he is the one senior executive who will not report directly to Mr Taylor.

Mr Taylor is at pains to downplay such talk, pointing out that Sir Peter has already offered to hand over his main area of executive responsibility within the bank as a whole, its management of risk. "When I saw Peter last week, he said he wanted to hand it over and I said 'not yet, please,'" he says. He also argues that the formal structure is less important than the working relationship that will evolve.

Mr Buxton makes a similar point.

There are areas of terror. The main one is that there's a huge organisation here and I don't know what goes on inside it'

"We actually wrote the job descriptions for myself and the chief executive down when we started the search, but when it comes to the crunch, you cross the lines of whose job something is all the time," he said. Yet some observers believe the potential for Mr Buxton to seek guidance on strategy from either Sir



Splitting the roles: Taylor (left), chief executive, and Buxton, chairman

Peter or Mr Taylor when difficult questions arise could be a source of tension.

Mr Taylor's relationship with the heads of the operating divisions is crucial to his second challenge of improving management. The fact that he will be in charge of seasoned - and older - bank executives may have played some part in Mr Buxton's preference for someone from outside banking rather than a directly comparable executive. He says that the bank had to find someone who would command instant respect.

"I veered towards having a non-banker, but someone with really good management experience that could be seen in his track record," he says. Yet the complexity of Barclays means that Mr Taylor will have to come to grips with more than one different business. At the same time, he will have to avoid offending executives such as Mr David Band and Mr Alastair Robinson, the heads of the BZW and

banking divisions.

Mr Taylor displays the most excitement when talking about the task of raising the standards of customer service. "It is stupendously difficult, maybe the most difficult challenge of the job," he says. He

The crucial difficulty of judging his performance at Barclays will be that banks are inherently cyclical businesses

arrives at the bank is experimenting with new ways of delivering services such as telephone banking, and concern among senior managers that this could be upset by a new chief executive.

He also faces the problem that some staff could regard his record as hatchet man at Courtlauds Text-

iles askance. There is also the question of whether he will interfere counter-productively. He is cautious on this. "It may be that the banking division is already doing everything that could be done. I would be surprised," he says.

The task of managing BZW is entirely different, since the investment bank comprises many talented but temperamental dealers and advisers. Mr Taylor argues that no British bank has yet discovered the full secret of managing a securities operation. "These are relatively new kinds of organisation, and there's no template for them," he says. "Some people think there's a magic ingredient called management which can be added. I am sure management has a role, but I am not sure what it is. I am looking forward to finding out."

Others are less sanguine. A senior executive at another bank says the new chief executive will have a difficult task working with Sir Peter Middleton, made worse by the fact that Sir Peter has an executive niche at BZW. Internal tensions, he claims, are being caused at Barclays by the fact that some old banking operations, including the treasury division, have been put under BZW control. "It's getting a bigger and bigger problem," he says. "It is the tail wagging the dog."

These are questions which Mr Taylor will face immediately, and the answers may emerge quickly. But the crucial difficulty of judging his performance at Barclays will be that banks are inherently cyclical businesses. The bank is in the middle of an upswing in earnings which will probably last until 1996 as the bad debt problems from loans made in the late 1980s recede and operating performance picks up.

Mr Taylor accepts that he can hardly claim much credit for what happens next. "There is no way that someone coming in like me will affect profits over the next 18 months," he admits. Yet there is little doubt that Barclays faces large strategic questions that will determine how well its profits are sustained. Lloyd's decision to divest poorly-performing business in the 1980s helped protect it in recession.

Mr Buxton agrees with this. "There are one or two strategic decisions every 10 years that can make a big difference," he says. Barclays made a big error in the late 1980s by expanding property lending. But he says that the bank made strategic errors in growing unwisely from the 1960s and 1970s onward. "Our UK bank has produced some pretty high returns, but they were wasted in some places overseas," he says.

Yet the division of labour mapped out between Mr Buxton and Mr Taylor lays primary responsibility for strategy with the chairman. Mr Buxton says Mr Taylor will play a far larger role. "Strategy will be very actively worked out between us. It is not something a chairman can decide by sitting in his office, writing it out on a sheet of paper and handing it out to the chief executive to implement," he insists.

So Mr Taylor faces a curious mixture of tasks over various time-scales. It will keep him busy for a while, but not, one assumes, for ever. It is a curious instance of his methodical approach that he had already decided to move on from his executive role at Courtlauds Textiles before he was even approached by Barclays. At the outset, he had given himself seven years for the job, and his time there was coming to an end. So how long does he give himself at Barclays?

Ten years, he says. "One of the nice things about not being ridiculously old is being able to come to a place like this and say 'I've got plenty of time. Personally, that is how much time the market will give me is another question.'"

And then what? Chairman of Barclays? Ruler of the world? "Come back and ask me in the year 2004," he says. And in any case, the date is not to be taken too literally. "Ten years," says the ex-Mandarin scholar, "is Chinese for a very long time."

OBSERVER



even to talk to him. He talks like he lives. Fast!" says the Burnley Express, which also revealed the little known fact that Taylor has been known to talk to himself. Who knows - the local chamber of commerce might even name a park bench after him.

Usherettes?

The House of Lords is advertising for a Yeoman Usher of the Black Rod to help the Gentleman Usher of the Black Rod and Sergeant at Arms keep their lordships in order. Someone with proven management skills and some experience of information

technology is being sought. No problem with that except for the fact that the advert states that the House of Lords is an Equal Opportunities Employer.

Since when has equality of opportunity had anything to do with getting a job in the Lords?

Discounted

"Take the train to Windsor for an unforgettable day out" gushes NetWork SouthEast's latest lavishly-illustrated poster. Among the attractions on the poster, promoting cheap fares, is a cut-away drawing of Windsor Castle which clearly depicts St George's Hall "primarily used for banquets" and the Waterloo Chamber which "the Royal Family use for their Christmas pantomime".

Bit odd, since both these imposing state rooms were all but destroyed in last year's fire. British Rail would be providing the country with a better service if it encouraged trippers to visit Buckingham Palace which has been specially opened to raise money to repair Windsor Castle.

Windsor Palace?

So ex-RHM boss Stanley Metcalfe, who made his name in militaria and bakin', is adding hotel-keeping to his portfolio. A blunt Yorkshireman, the new non-executive chairman of Queens

Moat Houses is not keen on talking to the press but he clearly has his fans at Morgan Grenfell, the merchant bank which has taken a lead role in advising QMH.

Andrew Coppel, QMH's new chief executive, is a one-time Morgan man, and RHM was a Morgan client before the food group was taken over by Tomkins at the end of last year. Given that QMH owes £1bn to 65 banks, it might have been thought that the job of chairman would go to a banker. However, when Morgan drew up its shortlist, Metcalfe's name was on top. Old colleagues at RHM are wondering whether one of his first moves will be to take RHM's redundant headquarters in Windsor off Tomkins' hands. It would make a smashing hotel.

Smoke-free

The recent correspondence on smoking has reminded a colleague of a North Sea ferry crossing he made a few years ago. The cabin, which was shared by six strangers, displayed a sign explaining that smoking was allowed "by consensus".

In the middle of the night five sleepers were awoken by the sixth occupant, a burly soldier going home on leave, who asked if it was all right for him to smoke. Yes, it was agreed after some eye-rubbing, he could smoke. "Oh good," he said, "anyone got a cig?"

Losses lead to shake-up at the top Ford's German chief may sue over transfer

By Kevin Done, Motor
Industry Correspondent,
in London

FORD, the US carmaker, became embroiled in public conflict yesterday with one of its top executives in Germany, in the latest shake-up of its European management.

Mr John Hardiman, dismissed this week from his position as chairman of the management board of Ford-Werke, is considering taking legal action for breach of contract.

Ford of Europe announced on Wednesday that Mr Hardiman would return to the US to Ford's international automotive operations. He was to be replaced immediately by Mr Albert Caspers, Ford of Europe manufacturing director, who was to add the chairmanship of the German subsidiary to his existing role.

Mr Hardiman announced yesterday through his lawyer that he was considering legal action against Ford. One option was to seek a temporary injunction against the dismissal to force his reinstatement.

Ford of Europe claimed on Wednesday that Mr Hardiman's move was part of normal management changes, but it became embroiled in public conflict yesterday as Mr Hardiman sought to fight the shake-up by Mr Jacques Nasser, who took over as chairman of Ford of Europe at the beginning of the year.

Ford of Europe is fighting to overcome its third year of heavy losses and is in the process of drastic restructuring including the cutting of around 10,000 jobs across its European operations. Ford has run up heavy losses in particular in the UK and in Germany, where Ford-Werke suffered a net loss of DM469m (\$272.60m) last year.

Mr Ulrich Weber, Mr Hardiman's lawyer, claimed in Cologne yesterday that Mr Hardiman's dismissal was not valid. "Mr Hardiman's contract runs to the end of April 1996, and under German law such a contract can only be ended for gross misconduct, which nobody is claiming," Mr Weber said.

Mr Hardiman had a written contract with Ford-Werke not with Ford of Europe or with Ford of the US.

Mr Weber said that the first that Mr Hardiman had heard of his impending dismissal was from German newspaper reports last week.

"We want to reach a reasonable settlement with Ford, but the other side must move. We have a strong legal position but we would prefer an out-of-court settlement. We are not seeking fantasy sums but a settlement under his contract."

Talks between the two sides may be held next week, said Mr Weber. No offer of a firm position in the US had been made to Mr Hardiman, he said.

Mr Hardiman, 58, has worked for Ford in Europe for more than 30 years. He became chief executive of Ford-Werke, Ford's German subsidiary, in 1989, and had been parts director for Ford of Europe and chief executive of Ford Italy and Ford Portugal.

Mr Weber said that Mr Hardiman had been given no reason for his dismissal. "It has been speculated that with all the movements in Wolfsburg (Volkswagen headquarters) Ford must react with new faces."

Disney to step up output of animated films

By Tim Surt in London

WALT DISNEY, the US entertainment group, yesterday announced a big expansion of its animated film production after the box office success of *Aladdin*, its latest feature, which has grossed more than \$121m in North America.

The company, which last month reported a \$30.9m quarterly loss on its investment in the Euro Disney theme park near Paris, said it intended to produce two feature-length animated films a year at studios in California and Florida.

Mr Max Howard, vice-president of Walt Disney Animation in Florida, said the decision represented "a move back into filmmaking". Although the company expected to make further losses on Euro Disney in the fourth quarter, Mr Howard denied that expansion of film production was prompted by the need to offset losses at the theme park.

"We're just maximising every part of our business," he said. "Expectations at Euro Disney have been too short-term. We've built a city there with a huge infrastructure. The returns will be in the future."

Speaking in London, where he is leading a recruitment drive for animators to work on new productions, Mr Howard said the films would be funded by revenue from *Aladdin* - due to be released in Europe later this year - and *Beauty and the Beast*, which has earned more than \$147m in the US.

Walt Disney is seeking artists in the UK and continental Europe because of a shortage of US animators. Production will take place in Glendale, California and Orlando, Florida. The company is also working on *The Lion King* and plans to release *Fantasia* Continued.

Disney expects to complete a new studio in Burbank, California, by late 1994. There are no plans, however, to reopen Walt Disney Animation UK - the London studio where the Touchstone film *Who Framed Roger Rabbit?* was made.

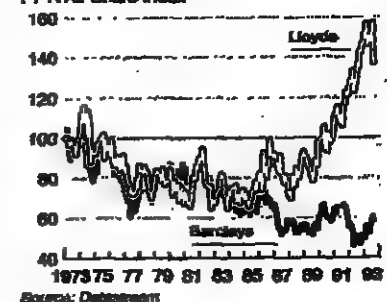
Better off at Barclays

THE LEX COLUMN

FT-SE Index: 3085.5 (-8.1)

UK banks

Share prices relative to the FT-SE All-Share Index



Source: Datastream

French workers have been priced out of jobs. Yet the rise in French unemployment to 11.6 per cent, may stem less from labour market rigidities than a sheer lack of demand. Here, the government is constrained from doing much because of budgetary pressures. But its continuing reluctance to cut interest rates hardly helps.

Still, investors appear remarkably sanguine, despite the government's refusal to move faster on interest rate cuts. Both equity and bond markets appear convinced that the economy will recover even if they remain uncertain about the timing. Moreover, the rise in the Paris bourse has lagged the fall in bond yields over the year. There may well be more headroom for equities once short-term rates fall. The huge quantities of cash held in French money market funds will then have nowhere else to go.

Willis Corroon

On an optimistic view of the insurance cycle, Willis Corroon is now more geared to the upturn than its rival Sedgwick. Following the acquisition of Noble Lowndes this week, around 25 per cent of the latter's revenue comes from benefits consulting - a business more likely to show steady growth than spectacular cyclical recovery. While Willis also has ambitions in consulting, its operations are proportionately smaller. On that basis Willis might now deserve the higher rating.

Despite yesterday's encouraging figures, though, it is too early to argue that all insurance markets have turned. The large rise in first-half profits was due to early insurance renewals. That hints at an equal measure of

disappointment to come in the second half. Adjusting for this and the benefit of exchange rates, growth in insurance brokerage revenue was modest. The creditable underlying decline in expenses also owes something to history. Having acquired the US broker Corroon & Black in 1990, Willis still has room to cut costs. When that process comes to an end upward pressure on expenses will be more difficult to resist. Underwriting losses are a reminder that brokers have been no more successful at the business of insurance than insurers themselves.

These factors will barely dent the earnings recovery if US insurance premiums stage the kind of recovery seen in the mid-1980s. But with no sign of US rates hardening other than in specialist areas, that looks a distant hope. At this time this year's forecast earnings demands something more substantial.

ABB

Any company which swallows a \$500m restructuring charge and continues to shed jobs at the rate of 1,000 a month may be presumed to be in a spot of trouble. But in Asea Brown Boveri's instance, quite the reverse may be the case. Although heavy capital goods markets have remained sticky throughout the western world, ABB continues to make progress. Flat pre-tax profits of \$497m at the half-year represents a fine achievement when currency swings are taken into account. The restructuring charge will pull costs forward and depress profits for the year. But it will have little effect on ABB's ability to fund the dividend. Shareholders are therefore right not to blink.

Longer term, the restructuring programme will enable ABB to shift production from high to low cost sites. This will enhance cost competitiveness and help ABB win new business in the promising markets of eastern Europe and the Far East. ABB is also making striking efforts to reduce manufacturing lead times and improve capital and labour productivity. More leaden-footed rivals, such as Siemens, can only stand and gawp.

That said, neither the Swedish or Swiss markets have been neglectful of the respective charms of Asea or Brown Boveri. Both shares have seemingly powered ahead of the anticipated upturn in the capital goods cycle. Yet those prepared to wait should reap full benefit when sales volumes and margins swing higher.

US trade deficit soars 44% as imports hit record levels

By Reuters in Washington

THE US trade deficit soared 44 per cent to \$12.08bn in June, the highest monthly shortfall in nearly six years, the Commerce Department said yesterday.

Imports rose 5.1 per cent from May to a record \$49.71bn, while exports fell 3.3 per cent to \$37.63bn. The resulting deficit was well above the \$8.6bn expected ahead the biggest since the \$12.56bn gap reported for October 1987.

The US deficit with Japan climbed to \$4.33bn from \$3.76bn in May. President Bill Clinton's administration wants Japan to keep stimulating its economy to bring its trade into better balance by importing more. US trade with western Europe also deteriorated

to show a deficit of \$1.70bn in June from a small surplus of \$32m in May.

The Commerce Department slightly revised its estimate for May's total US trade deficit to \$8.38bn from a previously announced \$8.37bn. Exports of US-made industrial supplies fell by \$82m to \$8.85bn in June, while exports of consumer goods fell by \$202m to \$4.3bn.

One of the few bright spots in exports was stronger sales of civilian aircraft, which rose in value by \$921m to \$2.19bn. Boeing's foreign deliveries were reported to have increased to 33 aircraft in June from 18 in May. But imports of many goods rose sharply and pushed the US further into the red on trade. Car imports climbed \$431m to

\$8.59bn, while imported consumer goods grew in value by \$929m to \$11.3bn. The dollar rose against the yen yesterday, but has been steadily losing value. Continuation of this trend is expected to slow imports from Japan as they will become more expensive in the US.

The US economy has shown signs of slow revival, with a rise in industrial production in July after two monthly declines. But consumer confidence is shaky, especially with higher taxes on the way. Trade has become a weak spot because overseas markets remain soft, especially in Europe, so exports are unlikely to provide a big push for the slow recovery.

US chip reliance, Page 4

Barclays

Continued from Page 1

January 1. He becomes the youngest chief executive of a British commercial bank. Barclays did not disclose how much it would pay Mr Taylor.

He will be employed for two years initially and then on a rolling one-year contract.

Courtauld Textiles appointed Mr Noel Jervis, director responsible for fabrics, as managing director. Sir Christopher Hogg, Mr Taylor's predecessor and now a non-executive director, will resume the chair in January.

Israel retaliates after bomb attack

Continued from Page 1

Damascus, which has thousands of troops stationed in the Bekaa valley, and which Israel blames for allowing the Hizbollah attack.

Israeli and Lebanese security officials issued conflicting accounts on the attack. Israel said seven soldiers had been killed and two wounded from the Golan Heights in a single bomb blast. The Lebanese version claimed that Hizbollah had exploded three bombs and fired machine guns against an Israeli foot patrol near the village of

Shinin, killing eight soldiers and wounding four.

The Hizbollah raid was the most deadly since a 1983 suicide car bomb attack and it brought Israeli casualties in the zone this year to at least 16 dead and 29 wounded.

Yesterday's resurgence of violence came less than three weeks after a US-brokered ceasefire ended a devastating seven-day Israeli air and artillery bombardment of villages in southern Lebanon. The Israeli offensive, aimed at curbing Hizbollah rocket attacks against northern Israeli

towns, left 130 dead, more than 800 wounded and 1,500 homes destroyed.

For years, Syria has allowed Hizbollah to mount attacks on Israeli forces inside Lebanon. Israel believes that Syria could prevent these attacks. It had hoped that the ceasefire agreement laid the ground for improved relations with Damascus and progress in peace talks which centre on an Israeli withdrawal from the Golan Heights in return for full peace with Syria. Those hopes may have been dashed by yesterday's attack.

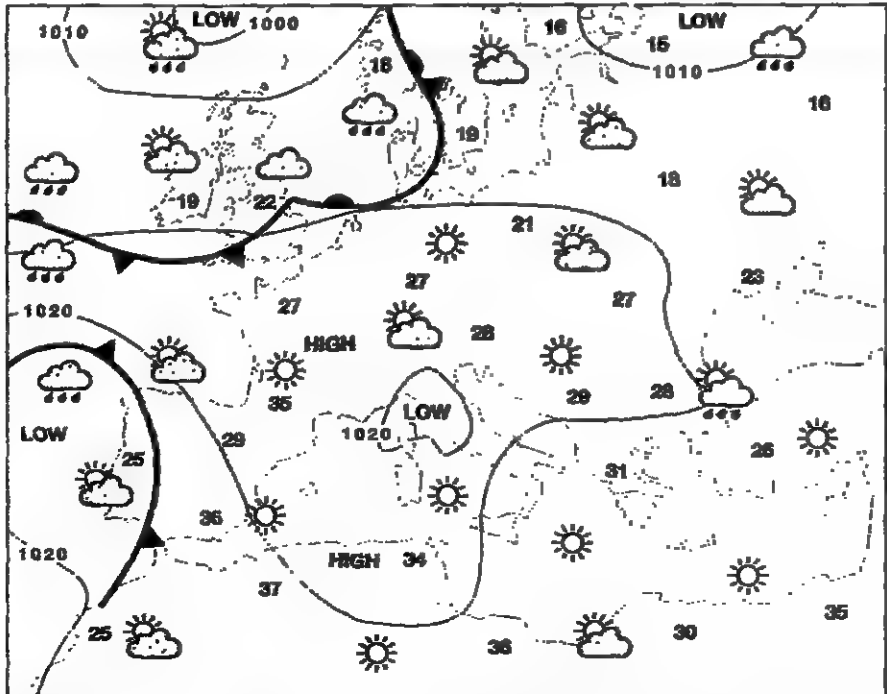
FT WORLD WEATHER

Europe today

Depressions will remain active over northern Europe. Conditions, therefore, will tend to be quite unsettled from the north Atlantic into Russia. There will be rain or showers over parts of the UK, south-west Norway and north-west Russia. Afternoon temperatures will stay rather low in northern Scandinavia. The Low Countries, Germany and Poland will have some cloud, but sunny intervals will prevail further south. Near the Mediterranean, temperatures will rise to tropical values again with exceptionally high afternoon readings over central Spain. Scattered showers may develop around the Black Sea.

Five-day forecast

Conditions will gradually deteriorate over western Europe. Cool air from the north Atlantic will flow south, meeting heat from southern parts of the continent. As a result, from Sunday, heavy showers and thunder will enter the Low Countries and France. After the weekend, the heavy showers will reach central and eastern Europe. Temperatures will drop significantly across North Sea countries.



TODAY'S TEMPERATURES

Maximum	Belfast	cloudy	13	Caracas	sun	31	Faro	sun	27	Magway	sun	35	Reykjavik	showers	12
Minimum	Cebu	sun	29	Chicago	sun	26	Frankfurt	sun	29	Malta	sun	30	Rio	sun	25
	Abu Dhabi	sun	42	Berlin	sun	23	Geneva	sun	28	Manchester	sun	22	Riyadh	sun	43
	Accra	showers	28	Bombay	sun	31	Guangzhou	sun	28	Medan	sun	30	Singapore	sun	30
	Algiers	sun	36	Bogota	showers	18	Hamburg	cloudy	21	Melbourne	sun	18	S. Francisco	sun	22
	Amsterdam	cloudy	22	Bombay	showers	30	Dallas	sun	39	Mexico City	sun	23	Seoul	showers	27
	Athens	sun	31	Bombay	sun	38	Dhaka	sun	32	Osaka	sun	28	Shanghai	sun	31
	B. Aires	sun	17	Bombay	sun	38	Hong Kong	sun	32	Perth	sun	24	Stockholm	sun	19
	Bahia	cloudy	25	Bombay	sun	38	Kobe	sun	35	San Francisco	sun	22	Strasbourg	sun	29
	Bangkok	thund	32	Bombay	sun	38	London	sun	21	Sydney	sun	27	Taipei	sun	28
	Barcelona	sun	31	Bombay	sun	38	Madrid	sun	27	Tokyo	sun	27	Tel Aviv	sun	31
	Beijing	showers	29	Bombay	sun	38	Manila	sun	32	Toronto	cloudy	30	Yokohama	sun	28

Forecast by Metro Consult of the Netherlands

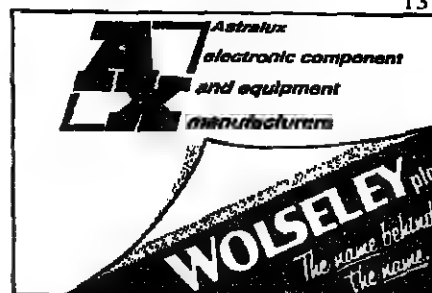
Faro	sun	27	Magenta	sun	35	Perth	sun	24	Stockholm	sun	19	Strasbourg	sun	29	Taipei	sun	28
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FINANCIAL TIMES COMPANIES & MARKETS

THE FINANCIAL TIMES LIMITED 1993

Friday August 20 1993



INSIDE

Paribas seeks closer retail banking links

Paribas, one of France's leading banking groups, plans to forge closer links between Banque Paribas and CREDIT du Nord, its retail banking network, through a commercial co-operation agreement. Page 14

Sony income drops 36%

Sony, the Japanese consumer electronics group, suffered a 36 per cent drop in first-quarter consolidated operating income to ¥25.3bn (\$249.3m) as a result of weak demand in its main markets and the strength of the yen. Page 15

Hutchison Whampoa in black

Hutchison Whampoa, Hong Kong's largest conglomerate, announced a strong turnaround in interim earnings, with net profit of HK\$2.62bn (US\$325.2m) for the six months to June, compared with a loss of HK\$76m in the same period in 1992. Page 15

Willis Corroon lifts profits

Willis Corroon, one of the UK's two largest insurance brokers, yesterday reported pre-tax profits up 17 per cent to £63.1m (\$94m) in the six months to June 30. The dividend was reduced to 3.3p compared with 5.6p in the first six months last year. Page 17; Lex, Page 12

Competition hits Nat Power

National Power, the largest electricity generator in the UK, predicted its share of the power market will fall by 7 to 8 per cent to the low 30s over the next year because of stronger competition from nuclear and gas-fired power stations. Page 16

Wickes back to paying dividend

Wickes, the UK timber and DIY retailer which came close to collapse two years ago, returned to paying dividends after a two-year absence, on the back of interim pre-tax profits of £4.1m (\$6.1m). Page 19

CIS offers on aluminium exports

The Commonwealth of Independent States has offered to halve its annual aluminium exports to the EC to about 300,000 tonnes, but European producers want imports to be restricted to 80,000 tonnes. Page 24

NZ dairy payout in doubt

A sharp fall in the price on some international dairy markets in recent weeks is casting doubt on the New Zealand Dairy Board's ability to meet this season's target payout to farmers. Page 36

Hong Kong hits record high

Hong Kong's Hang Seng index registered its fifth consecutive record high, making it 38 per cent up on the year so far. Gone are the concerns over China's security measures and its stand-off with Mr Hong Kong, over his constitutional blueprint for the colony. Page 32; Hang Seng Bank disappointed, Page 15

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Chief price changes yesterday

FRANKFURT (DEM)		Selwang	512	11
Alcatel	2505	Falke	555	23
Basf	297	Frankfurt	1950	75
Bayer	405	Labarge	438	17.2
Boehringer	211.5	Liquid	4830	108
Wolfsberg	387.3	TOYOTA (Yen)		
DAI	57	Alfa Romeo	751	80
Deutsche	524	BMW	582	80
Gen Motors	53	Chrysler	798	28
Mercedes	57	Fiat	1000	120
Peugeot	57	GM	988	22
Renault	57	Infiniti	418	24
SEAT	57	Isuzu		
Subaru	57	Land Rover		
Suzuki	57	Mercedes		
Toyota	57	Nissan		
Vauxhall	57	Volvo		
BMW (FF)	57			
BMW (FF)	57			
BMW (FF)	57			
BMW (FF)	57			
BMW (FF)	57			

New York prices at 12.30

LONDON (Pence)		Penn	88	13
Alcatel	105	Wides	121	5
Bardays	213	Falke	454	14
Baxter	451	Frankfurt	72	10
Bayer	165	Labarge	545	15
Boehringer	198	Liquid	635	28
Boisjoly	132	TOYOTA (Yen)	309	13
Bromsgrove	108	Alfa Romeo	724	40
Canal Plus	135	BMW	984	25
Caribbean	302	Chrysler		
Chemung Kong		Fiat		
Christiania Bank		GM		
Clarke (T)		Infiniti		
Comet Riptail		Isuzu		
Cosmo Securities		Land Rover		
Courty Smaller Cos		Mercedes		
Courtauld Textiles		Nissan		
Danish Bank		Volvo		
Dawson Group				
DNB				
ERA				
Ensign				
F&G Utilities				
Fidelity European				
Glaxo				
Goodman Intl				
Gramp Shipping				
HSC				
Hang Seng Bank				

ABB to shed a further 7,000 staff

By Ian Rodger in Vienna

ASEA Brown Boveri, the world's largest power engineering group, has reported flat pre-tax profits of \$497m for the first half and indicated that it sees little improvement for the rest of the year.

"Short-term growth prospects in western Europe have not improved. In North America, the beginning of an economic recovery has so far had only a marginal impact on ABB's range of products," the Swiss-Swedish group said.

In view of the depressed state of demand in Europe and North America, the group said it would accelerate its rationalisation programme, eliminating a further 7,000 jobs by the end of the year. New provisions of \$500m would be made against 1993 earnings.

Since the spring of 1990, the group has eliminated 40,000 jobs. However, its total employment has risen from 213,000 at the end of last year to 218,000 because of acquisitions.

ABB said that a number of production and engineering plants in Europe and North America had been identified for closure or cuts but gave no details. A spokesman said the cuts would be made broadly across the group's divisions, with the exception of the power distribution division.

New orders were down 12 per cent to \$15bn in the first half and the intake rate worsened in the second quarter.

The level of new orders for power plants and transportation equipment held up close to the previous year's levels, but those for other divisions dropped significantly, notably in the industrial plant sector, where they plunged 25 per cent to \$2.4bn.

Group revenues were off 5 per cent in the first half to \$13.1bn.



Barnevik: pre-tax profits would be the same as last year's

Excluding currency effects, however, they rose 2 per cent. Operating earnings advanced 4 per cent to \$937m, thanks to higher earnings in the power plant and financial services segments.

Profits before non-recurring items and taxes eased 2 per cent to \$518m, but excluding currency effects were up 10 per cent.

Capital spending was cut to \$332m in the first half from \$373m in the same period of last year.

Investment declined in Europe where capacity reductions were needed, but continued to increase in eastern Europe and Asia, which the group has identified for strategic expansion.

ABB said order intake had begun to pick up in the second half and confirmed a forecast made by Mr Percy Barnevik, its chief executive, in March. Mr Barnevik said then that pre-tax profits for the full year, before non-recurring items, would be at about the same level as last year's \$1.1bn.

Ericsson set to double profits as orders surge

By Christopher Brown-Humes in Stockholm

ERICSSON, the Swedish telecommunications group, expects profits at least to double in 1993 following a dramatic recovery in first-half net income to SKr1.28bn (\$162m) from SKr58m.

The first-half result nearly equalled the SKr1.30bn profit which it recorded for the whole of last year and was made on the back of strong increases in orders and sales. All business areas increased income, the company said.

Orders for the period jumped 27 per cent to SKr34bn while sales rose 36 per cent to SKr27.4bn. About half of the increase in both figures was due to the depreciation of the Swedish krona. So far the group's income has only been marginally affected by the currency depreciation because of its hedging policy.

The group now has an order backlog of SKr46bn, up 33 per cent from mid-year 1992, after increasing its order intake for the last seven quarters.

The most spectacular growth has come from the group's radio communications division. This includes mobile telephones, which for the first time has overtaken public telecommunications

to become the group's biggest revenue earner. Radio communications saw sales rise 75 per cent to SKr10.65bn in the first half, while public telecommunications sales increased 15 per cent to SKr10.04bn.

"Deliveries of mobile telephones have never been as high as the level achieved during the first six months of 1993," Ericsson stated.

The group's largest market is Italy, which accounted for 12 per cent of sales, followed by the US, Sweden, Great Britain and China. China is the group's fastest growing market. Deliveries of public telecoms equipment there have doubled in a year.

Mr Lars Ramqvist, chief executive, said the company's extensive investment in technology provided the basis for continuing growth and justified the confident profits forecast.

Analysts suggested the prediction was still cautious, given the likely impact of the krona's depreciation on income in the latter part of the year. Mr Gunnar Andersson, analyst at Svenska Handelsbanken, said he anticipates full year profits of SKr3.4bn.

The company's B shares closed SKr2 lower at SKr97, still more than double the SKr186 level at which it started the year.

Mannesmann falls into big losses

By David Waller in Frankfurt

MANNESMANN, the engineering group which has been a favourite with investors during the recent rally in the German stock market, yesterday reported a group net loss of DM467m (\$271.5m) for the first six months of the year - a huge swing from a profit of DM15m in the first half of 1992.

The result was worse than expected and the share price dropped DM3.30 to close at DM333.20.

Mannesmann suffered losses in all divisions, hit by the combined effects of recession in Germany, the impact of a stronger D-Mark

on group exports and the costs of rationalisation measures.

The group said that first-half losses were worst in its car components division and in its pipes and tubes activities, the group's traditional core business. In both cases, trading losses were compounded by restructuring costs. In addition weak sales and prices hit the machinery and industrial plant division.

Total group turnover rose fractionally from DM12.82bn to DM12.87bn in the six months, while orders dropped 6 per cent to DM1.1bn. The group predicted that turnover for the full year would reach the same level as

last year, but orders would not. Declaring that there was little evidence of improvement in business conditions, Mannesmann nevertheless sounded an optimistic note.

It said that rationalisation - which had not affected the interim figures - would permanently lower the group's break-even point without reducing the number of products on offer. In the year to June, the number of employees in the group had fallen from 142,827 to 131,164.

In a letter to shareholders Mr Werner Dieter, chief executive, expressed great confidence about

the future of the D2 mobile telephone system, the first private network in Germany.

Development has cost the company DM4.5bn to date but Mannesmann said that the project was set to start making profits early next year. It already had nearly 300,000 subscribers, ahead of expectations.

Mannesmann shares have outperformed the rising German stock market by 13 per cent since the beginning of June, reflecting investors' view of the group as a cyclical stock, with the added attraction of contribution. Mannesmann Mobilfunk, the mobile phones subsidiary.

Christopher Brown-Humes and Karen Fossli on the rise of a sector

A burst of light for banks in Nordic gloom

Judging by the extraordinary rise in Nordic banking shares this year, the market has decided the sector's financial crisis is over.

Euphoria based on the belief that Nordic banks are firmly on the road to recovery has lifted shares from the lows to which they sank last year. Bank shares have risen 270 per cent in Sweden, 185 per cent in Finland and 185 per cent in Norway.

Much of the buying has had a speculative flavour, yet recent developments have borne out the speculators' most fervent hopes.

Skandinaviska Enskilda Banken, the region's largest commercial bank, withdrew its request for state support this week after a return to profit in the second quarter and a SKr5.3bn (\$670m) rights issue.

Yesterday Unites, the Finnish banking group, said it too was launching a rights issue on the back of improved performance.

Norway's two biggest banks, Den norske Bank (DNB) and Christiania Bank, reported a return to profit in the first half, with DNB saying it will not need a NKr600m (\$82m) state guarantee.

The optimism has sprung from a dramatic improvement in earnings, rather than from a drying up of the credit losses - or debt write-offs - which have ravaged the sector. SE Bank's figures demonstrate this: its operating income before loan losses was up 58 per cent in the first half at SKr4.85bn.

The most important factor has been interest rates which now lie at their lowest levels for at least 10 years in all three countries.

This has enabled the banks to widen their margins, boosting net interest income. It has also prompted rallies in bond and share markets, enhancing the trading contribution.

Banks have helped themselves by restructuring. DNB, for example, claims to have cut costs by 40 per cent over five years, leading its president Mr Finn Hvijsendahl to claim this week that he knew of "no other large bank which can point to similar cost effectiveness".

One worry is that some of the gains reported in the first half will prove to be of a one-off nature. This applies particularly to share, bond and foreign exchange income.

But a bigger cause of concern is the high level of credit losses. Even though lower interest rates should reduce the burden on customers, most banks are being extremely cautious about predicting anything more than a modest drop in loan losses in 1993.

SE Bank, for instance, has warned that credit losses this year could reach SKr1bn, only slightly less than last year's SKr1.2bn. Its non-performing

loan portfolio, though declining, still amounts to SKr22.5bn, or 7.4 per cent of total lending.

Even the two big Norwegian banks, the first in the region to enter crisis, reported largely unchanged credit loss levels at the half-way stage. DNB actually saw a slight increase in non-performing loans.

In Finland, where the structural economic problems are greater than in either Sweden or Norway, Kansallis-Osake-Pankki, the country's leading commercial bank, and Unites expect to cut their losses this year. At KOP, credit losses increased to FM\$33m (\$160m) in the first four months, against FM\$728m, and non-performing loans grew to FM\$2.2bn from FM\$1.1bn at the end of 1992.

"The worst is past in the Finnish banking sector but the crisis is not yet over," says Mr Roar Nilsson, chief financial analyst with Arctic Securities in Helsinki. "Credit losses in the public sector, among personal customers and in domestically orientated companies can be expected to increase."

Most analysts believe the picture will start to change next year. In any banking recovery, there is always a time lag before non-performing loans begin to fall sharply and their conversion into bad debts tapers off. Hence some of the region's banks may not be back in profit until 1995.

And nervousness persists about the pace of economic recovery, although less so in oil-rich Norway than in either Swe-

Nordic banking

Relative to respective market indices



Source: Datastream

		Net Non-performing loans	% of loans	Tier 1 capital	Tier 1 ratio%
Sweden (Sk/bn)					
SE Banken	1990	3.4	1.1	19.2	8.0
	1991	9.8	3.0	18.8	6.7
	1992	26.5	8.1	16.4	5.1
Svenska Handelsbanken					
	1990	0.3	0.3	12.4	6.2
	1991	1.9	1.7	17.1	7.6
	1992	5.8	16.7	6.8	
Norway (Nkr/bn)					
Den norske Bank	1990	10.1	8.8	4.8	2.6
	1991	10.2	6.7	6.7	3.8
	1992	11.6	8.2	6.3	3.8
Christiania Bank	1990	6.0	5.9	2.6	2.1
	1991	7.2	8.3	2.0	2.0
	1992	5.9	7.1	2.8	3.0
Finland (Fm/bn)					
Kansallis-Osake-Pankki	1990	n.a.	n.a.	10.5	7.6
	1991	5.3	8.3	8.6	6.5
	1992	7.6	7.5	7.5	5.8
Union Bank of Finland	1990	n.a.	n.a.	8.4	7.3
	1991	5.7	6.1	8.5	8.6
	1992	8.3	8.1	8.3	8.4

Source: Datastream

*Not including STS-Bank's non-performing loans

den or Finland. But even those two are beginning to see the first signs of an export-led recovery and both should see at least a slight expansion of their economies next year, ending three consecutive years of decline.

Governments are growing confident that the final bill for bailing out their financial systems will be less than they originally feared. Indeed, in Norway, the belief that the country's six-year banking crisis is nearly over has encouraged the state-backed Bank Insurance Fund to consider accelerating privatisation plans for DNB and Christiania Bank.

Sweden also has plans to return Gota Bank and Nordbanken to the private sector.

The key, though, to the privatisation of banks in the Nordic area will be evidence of sustained profitability. That, for all the euphoria of recent days, has still to be demonstrated.

Unites rights, Page 14

Glaxo awaits patent ruling

By Daniel Green in London

A DECISION in the lawsuit over the world's biggest selling drug, Zantac, may not be made until the end of the year, the drug's maker, Glaxo, said yesterday.

US District Court Judge Terence Boyle, presiding in Elizabeth City, North Carolina, has retired to consider the evidence from 16 expert witnesses brought by Glaxo and Novopharm, a Canadian maker of generic (unbranded) drugs.

Sales of Zantac, an ulcer treatment, are worth about \$3.5bn (£2.3bn) a year. If Novopharm won the case, it would be able to sell a generic version of Zantac from 1995. Mr Ian Smith, a drug sector analyst at broker Lehman Brothers in London, estimates that Glaxo would then lose \$700m

of revenue in the first year alone.

The case was brought by Glaxo after Novopharm sought government permission to make generic Zantac. Novopharm is challenging one of Glaxo's two main patents on ranitidine hydrochloride, the active ingredient in Zantac. It is arguing that a specific crystalline form of the drug, Form 2, is not sufficiently innovative to warrant a patent.

Novopharm says the two versions are chemically the same, but Glaxo says Form 1 has never been sold and Zantac is based on Form 2. A less specific patent for ranitidine hydrochloride runs out in 1995, but Form 2 is protected until 2002.

Over the past eight days Judge Boyle has heard eight witnesses from each company presenting legal and chemical arguments

on the originality of Form 2.

The outcome of this case is likely to affect another being brought against Glaxo by a Canadian generics maker called Genpharm. That case is due to be heard in May 1994.

These companies are struggling over the future of a money-spinning drug at the peak of its earning power. Sales over the next few years are likely to fall and government pressure on the pricing of drugs generally remains high, especially in the world's biggest market, the US.

Zantac's arch-rival Tagamet, made by US company Smith-Kline Beecham, comes off patent next year. Generic drug manufacturers are poised to launch a cut-price version. Zantac is also being challenged by a newer drug from Swedish company Astra.

Management Buy-in of Hydron

CVC Capital Partners Limited and CINVen

INTERNATIONAL COMPANIES AND FINANCE

Paribas strengthens retail banking network links

By Alice Rawsthorn in Paris

PARIBAS, one of France's leading banking groups, plans to forge closer links between Banque Paribas and Crédit du Nord, its retail banking network, through a commercial co-operation agreement.

The agreement, which comes at a time when France's banks are trying to cut costs in order to counter the recession, involves the two networks collaborating in areas such as the sale of products to their customers, particularly to their corporate clients, and also in the development of information technology.

Mr André Lévy-Lang, chairman of the Paribas group, has been seeking synergies for some time between the two networks. He has however ruled out the possibility of a merger in order to retain separate identities for Banque Paribas, Crédit du Nord and Compagnie Bancaire, the group's



Seeking synergies: André Lévy-Lang, Paribas chairman

specialist finance unit. Banque Paribas is one of the largest players in the French investment banking scene, with a network of 40 branches dealing mainly with corporate accounts and wealthy private clients. Crédit du Nord is a

mainstream retail banking network with 540 branches.

Paribas said yesterday that the new agreement would only affect the 'behind the scenes' aspects of Paribas and Crédit du Nord. It said that the two networks had for the past three years been working more closely together. The agreement would formalise their collaboration.

The news of the new agreement reflects the intense financial pressure on France's retail banks, which have been badly affected by the impact of the recession on demand for credit and on the group's smaller corporate clients.

Paribas aims to sustain its recovery after returning to the black with a net profit of FF396m in 1992 following its first loss in 1991.

Mr Lévy-Lang earlier this summer said conditions were still tough, but that the group should muster another increase in profits for 1993.

Unitas unveils plan for capital injections

By Christopher Brown-Humes

UNITAS, Finland's second-largest banking group, yesterday unveiled plans to strengthen its capital base by raising nearly FM1.5bn (325m) in new equity, and up to a further \$150m of preference capital from international markets.

It said the funds would enable it to withstand two more years of losses, and give it the capacity to expand lending when the Finnish economy recovered.

"If we are successful, we have every reason to believe that we will not fall into state hands," said Mr Markku Pohjola, the bank's senior vice-president.

The Finnish government said yesterday it had agreed in principle to guarantee new preference capital issues by both the Union Bank of Finland (part of Unitas) and Kansallis-Osake-Pankki, Finland's leading commercial bank. The KOP guarantee covers an issue of up to FM1.5bn and the UBF guarantee an issue of up to FM1bn.

Unitas says it aims to raise FM1.16bn through a one-for-three rights issue at FM10 per share, and a further FM300m through an issue open to both shareholders and non-shareholders.

The timing of the offers has been aided by evidence of recovery in the wider Nordic banking sector. This has helped Unitas' share price rise by more than 50 per cent, to FM20 in the last three weeks.

The group is being cautious about its prospects, saying it may not show a clear profit until 1996. However, it believes its 1993 loss will be lower than last year's FM2.7bn deficit, helped by a levelling off of credit losses and non-performing loans. In the first seven months of the year, its loss fell to FM923m from FM1.02bn.

The bank's capital adequacy ratio at the end of July stood at 11.1 per cent. However, it will rise to more than 13 per cent if its fund-raising plans are successful.

Company failures seen to fall 15%

By Andrew Jack in London

THE NUMBER of UK company failures will be 15 per cent lower this year than last, according to figures released yesterday by Trade Indemnity, the trade credit insurance company.

Next year's total will be a further 5 per cent below this year's, according to the company's estimates.

The estimates are based on reports from its 4,500 clients. In the first six months of this year, business failures were down 19 per cent on the same period of 1992.

Mr Vic Jacob, managing director, said: "It's nice to have some bright comments. All of the major trends are in the

right direction. I think it is almost three and a half years since we have been able to take a more positive view."

Trade Indemnity had not had to make any adjustments to underwriting provisions because of the fewer claims and failures.

The first-half results, which were released yesterday, showed gross claims from continuing operations down by a fifth to \$51.4m (\$76.6m).

Mr Jacob warned however that turnover was still static or even declining at many companies.

"That sobering fact was highlighted in Trade Indemnity's premium growth - which tends to rise with company turnover - of only 2.3 per cent

to \$71.3m. "So far our policyholders are not reporting increased expectations of turnover," he said.

Mr Jacob also said that a \$1m provision, which was released because of the improving economic position in the UK, had been offset by increased provisions of the same amount to allow for worsening trade conditions in the rest of Europe.

Net premiums written were unchanged at \$26.4m and net claims fell to \$24m (from \$27.6m).

There were exceptional costs of \$917,000 from the voluntary redundancy of about 40 staff earlier this year.

The company also showed a tax credit of \$2.1m, from its

total unused tax losses from past underwriting of more than \$30m.

Historically, the rate of company failures continues to rise for 18 months after the beginning of economic recovery, partly as a result of over-trading.

Mr Jacob said that it was too early in the recovery to see these effects.

Premium income from the export cover division - which sells primarily to businesses in the Organisation of Economic Co-operation and Development - had risen by 20 per cent.

That partly reflected the recovery of sterling and the relative strength of British exporters.

Recovery at Den Danske Bank

By Margaret Dolley in Copenhagen

DEN DANSKE BANK, the largest Danish bank, reports pre-tax profits of DKr2.37bn (\$344m) for the first six months of 1993, compared with DKr6m in the first half of 1992.

The turnaround is almost entirely due to increased net interest income following a steep rise in international money market activity.

Earnings from net interest and fees rose 12 per cent, to DKr5.29bn, and there was a net valuation gain of DKr1.45bn on securities and other financial instru-

ments, compared with a DKr19m loss in the first half of 1992.

The profit from core banking activities was also up, rising by more than 50 per cent to DKr919m. Both the Danish and international branch networks contributed to the improvement.

Mr Knud Soensen, chief executive, described this as encouraging, but not yet satisfactory considering Den Danske's substantial equity capital.

Income from traditional deposit-taking and lending rose only modestly. Operating expenses and depreciation were trimmed by 8 per cent, to

DKr3.27bn, as the staff reduction programme started last year gathered pace.

Bad debt provision was increased to DKr1.41bn from DKr1.04bn. The bank said small- and medium-sized businesses were having a particularly difficult time, although personal customers were doing a little better.

Mr Soensen warned of lower profits in the current half, anticipating less activity on the money markets. Expenses were also likely to rise.

He said group profits would be particularly affected by the levels of bond and share prices at the end of year.

Ferruzzis sell US interest for \$47m

By Haig Simonian in Milan

ITALY'S Ferruzzi family, staggering under the financial problems of the Ferruzzi Finanziaria (Perfin) holding company it controls, has sold a small Louisiana bank.

The sale is the first of what may be numerous disposals to raise cash and cut borrowings.

Alerion Bank, based in New Orleans, has been acquired by Louisiana's Premier Bancorp for \$47m. The deal will bolster the depleted coffers of the Ferruzzi family and provide a small, but welcome, cash injection into the debt-laden Perfin holding company.

Although 75 per cent of the bank is owned by the Ferruzzi family, almost 25 per cent is held by a Perfin subsidiary.

With total assets of about \$340m, Alerion Bank is the fifth-biggest financial institution in New Orleans, with nine branches. Formerly called American Bank and Trust, it first attracted the attention of Mr Serafino Ferruzzi, the group's founder, in the late 1970s, when he took a stake. In 1988, the Ferruzzis bought full control.

Although agreed by the Ferruzzi family, the sale took place in consultation with the five-bank committee of leading creditors now guiding Perfin.

However, negotiations on a sale were believed to have been taking place well before the group's recent problems came to light.

Premier Bancorp, based in Baton Rouge, is the third-biggest banking group in Louisiana. It is controlled by the Ohio-based Banc One group, which has been expanding rapidly through acquisitions in recent years.

Fluimacian, the Italian state-controlled engineering group, is selling its DEA measuring equipment unit to Brown & Sharpe, the US measuring instruments maker, in return for a 30 per cent stake in the US company.

Canal Plus in TV move

CANAL Plus, the French media group, is expanding its television production interests by taking full control of Mediab, a Paris-based facilities house specialising in new technology, writes Alice Rawsthorn in Paris.

The deal follows weeks of uncertainty for Mediab as Videostyle, its parent company, has gone into receivership. It forms part of Canal Plus' strategy of diversifying its interests beyond its highly successful French pay-TV station.

Canal Plus, which already owns 38 per cent of the facilities house, has been negotiating since early this month to buy the rest of the shares.

Corrections

Philips

Philips of the Netherlands expects its consumer electronics business to break even during 1994, and not this year as wrongly stated yesterday.

Australian Provincial

Australian Provincial Newspapers is 35 per cent owned by independent newspapers of Ireland, and not 18 per cent by independent newspapers of the UK as wrongly stated yesterday.

New chairman at Queens Moat

By Maggie Urry in London

MR STANLEY Metcalfe, former chairman and chief executive of Ranks Hovis McDougall, the UK foods group, is to become non-executive chairman of Queens Moat Houses after the hotel group's annual meeting next Thursday.

Mr John Baird, QMH's founder, resigned as chairman yesterday. QMH is continuing talks with its 85 banks over refinancing debts of £1bn (\$1.5bn). Losses for 1992 have yet to be reported.

Mr Baird will not receive any compensation for leaving.

in common with nine other directors of the group who have resigned since its shares were suspended in March.

He stepped down to the post of non-executive chairman last month, and said then he would resign once a new chairman was found.

Mr Baird will not have to attend the annual meeting. It will be chaired by Mr Andrew Coppell, who was made chief executive last month after being brought in as a consultant.

Mr Coppell said Mr Metcalfe was a man "with solid industrial experience and familiar

with the disciplines required at QMH. He will make a significant contribution to the recovery of the group". Mr Metcalfe had the support of the group's main bankers, but would be a "champion for the shareholders".

Mr Metcalfe, who will work three days a week, was available following RHM's takeover by Tomkins, the industrial conglomerate, at the end of 1992. He had worked for RHM for the whole of his business career, but his lack of experience in hotels was thought yesterday not to be a problem. Observer, Page 11

Turkey considers sale of bank holding

By John Murray-Brown in Ankara

THE Turkish government may sell its 40 per cent stake in Türkiye İbankası, Turkey's biggest commercial bank, in a deal worth around \$400m at current stock market prices. The treasury is looking at a possible global offering, or placing the shares with foreign or domestic institutions. Bank officials say they expect the treasury to announce details in the next few days.

Brokers expect big foreign interest, although the stake does not give control as the bank's own pension fund currently owns 41 per cent. Around 17 per cent of İbankası was floated on the Istanbul stock exchange last year.

Shares have jumped 30 per cent in the past few days. The bank reported profits of TL 543bn (\$729m) in 1992. The bank has 855 branches. It is divesting investments in an effort to bring capital adequacy ratios in line with international levels.

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NEW ISSUE

This announcement appears as a matter of record only.

August 1993



Keihin Electric Express Railway Co., Ltd.

U.S.\$ 250,000,000

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with

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Kankaku (Europe) Limited

Lehman Brothers

Morgan Stanley International

Paribas Capital Markets

Société Générale

Daiwa Europe Limited

Mitsubishi Finance International plc

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CORFO has decided to reduce its ownership in Edelnor to no more than 49 per cent of all subscribed and paid shares. This tender involves a quantity of shares that will meet this objective.

The bidding rules will be available for sale at Testinos 220, 5th Floor, Santiago, Chile from 25th August 1993. Each set of the bidding rules costs Ch\$1,000,000 (approximately US\$2,700). Offers will only be accepted from parties who have previously acquired the bidding rules and pre-qualified according to the rules.

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INDIA

30th September, 1993

AT THE REQUEST OF THE GOVERNMENT OF INDIA, the Ministry of Finance, Foreign Trade and Commerce, is inviting applications for the purchase of Indian Rupee bonds and more.

ONE EUROPE

INTERNATIONAL COMPANIES AND FINANCE

Hutchison Whampoa back in black with HK\$2.52bn

By Simon Davies
in Hong Kong

HUTCHISON Whampoa, Hong Kong's largest conglomerate, yesterday announced a strong turnaround in interim earnings, with net profit of HK\$2.52bn (US\$325.2m) for the six months to June, compared with a loss of HK\$76m in the same period in 1992.

The greatest impetus for the increase was the performance of 49 per cent-owned Canadian oil and gas company Husky, which suffered substantial losses during 1992 and forced a provision of HK\$1.42bn at the interim stage. Mr Li Ka-shing, chairman, said Husky contributed a profit in the first half of 1993.

The group's core businesses also performed strongly. Turnover rose to HK\$11.52bn and operating profit was up

22 per cent to HK\$2.47bn. Hong Kong International Terminals, the 61 per cent-owned port operator, saw a 22 per cent increase in container throughput during the period, and profits were boosted by lower interest and depreciation charges. Hutchison's port operations in Zhuhai, in China's Pearl River delta, and Felixstowe, in the UK, also reported profit increases.

There were strong contributions from property sales, particularly from the group's 50 per cent-owned South Horizons development.

The group's telecommunications ambitions continued to sap earnings. Mr Li said: "Losses incurred by the group's interests have offset to a large extent the profits generated by the group's successful telecommunications

businesses in Hong Kong."

The company is expected to make provisions of around HK\$600m against its loss-making Rabbit CT2 telepoint business in the UK during the second half of the year. However, this will be offset by an extraordinary profit of HK\$1.5bn from Hutchison's recent sale of 32 per cent of its stake in Star Television.

Mr Li said Hutchison would continue to expand into China, despite the current austerity programme. "The group is well-positioned to participate in suitable property, power plant, container terminal and retail projects in China, which reflect the group's expertise in its existing core businesses," he said.

The directors declared an interim dividend of 19 cents a share, compared with 16 cents a share in 1992.

Sony profit drops 36% in first quarter

By Michio Nakamoto in Tokyo

SONY, the consumer electronics group, suffered a 36 per cent per cent drop in first-quarter consolidated operating income to ¥25.3bn (\$249.3m) as a result of weak demand in its main markets and the strength of the yen.

The company blamed slow demand for most of its main products, from camcorders to televisions in major markets, particularly Europe and Japan, as well as the rapid appreciation of the yen against the US dollar which reduced sharply its overseas revenues.

Sony's disappointing performance came as sales fell 10 per cent to ¥838.7bn from ¥924.4bn. Net income was almost halved to ¥7.7bn from ¥14.9bn.

However, income before taxes rose 31 per cent to ¥38.6bn from ¥29.5bn, largely as a result of a foreign exchange gain of ¥20.4bn.

Sony revised its forecast for the year to March 1994 in view of the persistent weakness of demand and the rapid rise of the yen. Consolidated sales are forecast to fall 7 per cent to ¥3,720bn compared with a previous forecast of sales 2 per cent lower at ¥3,910bn. The forecast for pre-tax profits was unchanged at ¥87bn, or 6 per cent down on the previous year.

On a parent company basis, Sony forecasts a 6 per cent fall in sales to ¥1,760bn and a 30 per cent decline in pre-tax profits to ¥320bn.

Operating profits, however, are forecast to rise 29 per cent to ¥22bn, in part as a result of cost-cutting measures. Sony's cost of sales in the first quarter were down nearly 10 per cent from ¥683.5bn to ¥698.4bn.

The company plans to increase the ratio of products manufactured outside of Japan for sale in overseas markets from the current 35 per cent to 50 per cent by about 1997.

In product areas, Sony was particularly hit by depressed demand for audio-visual equipment, including camcorders and CD players. The Japanese market is seeing its fourth year of decline in demand for audio-visual products.

Sony Pictures, meanwhile, suffered a 16 per cent fall in sales in local currency terms due to a lack of box-office hits.

Texas Instruments plans \$1bn plant

By Louise Kehoe
in San Francisco

TEXAS INSTRUMENTS yesterday announced plans to build one of the world's largest semiconductor plants in Dallas, Texas. Construction will begin this year. The plant is expected to cost between \$750m (\$506m) and \$1bn during the next five years.

TI is the fourth US chip maker to announce plans for big new plants this year. In April, Intel, the world's largest chipmaker, said that it would build a \$1bn addition to its factory in New Mexico.

Advanced Micro Devices followed in July, saying its next plant, to be built in Texas, would cost between \$750m and

\$1bn. Motorola is putting a \$1bn investment into a Texas plant that will combine research and production.

These investments reflect booming demand for semiconductor chips. Worldwide sales are expected to increase by more than 20 per cent this year to about \$80bn.

They also signal the rising strength of US manufacturers. Japanese semiconductor producers, who outpaced their US competitors in the 1980s, have now been overtaken by US producers.

US semiconductor industry capital expenditures are projected to increase by 37 per cent to more than \$5.5bn this year, according to Integrated Circuit Engi-

neering, a US market research firm.

Japanese companies plan to spend \$4.2bn on new plants and equipment, an increase of 2 per cent on last year.

Capital spending by the European semiconductor industry is expected to total about \$1.1bn, up 6 per cent.

The cost of new semiconductor production plants has escalated during the past few years, total costs rising from about \$250m in 1990 to nearly \$1bn today.

Much of the increase is due to more sophisticated production equipment.

Only the world's largest semiconductor producers can now afford to keep pace. By the end of the century there

may be fewer than a dozen state-of-the-art chip factories in the world, industry executives predict.

Texas Instruments' expansion plans are typical. The company's new Dallas facility will be built in two phases, construction of the first phase beginning immediately, followed by an expansion that will more than double the size of the plant.

When it reaches full production in 1998, the plant will employ about 550 people, TI said. The new plant will eventually produce chips as small as 0.12microns, or 800 times smaller than the diameter of a human hair - about one quarter the size of today's most advanced chips.

Cosmo in partial suspension

By Emilio Terrazono in Tokyo

JAPAN'S ministry of finance yesterday disciplined Cosmo Securities, a second tier broker which faces extraordinary losses of ¥99.8bn (\$982m), by ordering a suspension of corporate business operations.

The company announced last week it had a negative net worth of ¥7.1bn due to losses stemming from tobacco deals, where clients' accounts are shuffled to hide unrealised losses. Daiwa Bank will rescue Cosmo by a share purchase, becoming the country's first bank to hold a stockbroker subsidiary.

The ministry ordered that Cosmo suspend operations of certain corporate businesses

from next Monday to September 3. Cosmo announced a pay cut for its executives for three months from September. Mr Hiroshi Nakano, Cosmo's president, takes a 30 per cent cut. Other board members face cuts of between 15 and 20 per cent.

The ministry of finance is investigating the country's 48 brokers for other concealed cases of irregular dealings. Cosmo claims that Cosmo's losses are unrepresentative, but analysts believe more cases may be uncovered.

The scale of the problems confronting the Japanese brokerage industry was highlighted yesterday as Yamaichi Securities said it was considering a rescue of Yamaichi Finance, an ailing non-bank

finance affiliate. Yamaichi's bailout will follow Nomura Securities, which last month announced a restructuring of its property lending affiliate, and Daiwa Securities, whose finance affiliates hold mounting bad loans.

Most Japanese brokerages set up non-bank financial affiliates during the late 1980s, extending loans on stock and land collateral. Many loans have turned bad as a result of plunging land and stock prices. That has also eroded the collateral at the finance companies.

Some ¥180bn of Yamaichi Finance's ¥370bn loan portfolio is seen as non-performing, and the company's unrealised losses of its collateral totals about ¥80bn.

Marriott to push ahead with demerger plan

By Nikki Tait in New York

MARRIOTT Corporation has received acceptances from holders of about 80 per cent of the senior notes and debentures subject to an exchange offer related to a controversial plan to spin off its hotel management operations. The offer is being extended from August 17 to August 30.

The company said it would go ahead with the demerger scheme next month, regardless of whether the offer was consummated.

Procter & Gamble, the US consumer products giant, plans to sell Maryland Club Foods, a Houston-based coffee business.

Cheung Kong soars in first half

By Simon Davies

CHEUNG KONG, the flagship of Mr Li Ka-shing's listed Hong Kong empire, announced net profit of HK\$4.53bn (\$591m) for the six months to June 1993, almost double the 1991 figure of HK\$2.35bn.

The results exceeded stock market expectations, primarily as a result of an exceptional profit of HK\$706m on the 220m covered warrants issued by Cheung Kong in 1991 against its holding in Hutchison Whampoa.

The company also benefited

from a substantial increase in profits from associated companies, which contributed HK\$3.28bn, compared with HK\$3.06m in 1992.

That reflected the turnaround of 42 per cent-owned Hutchison Whampoa, as well as contributions from a number of partly-owned property developments, which included Kingswood Villages and Laguna City.

Cheung Kong took significant steps to build up its diminishing Hong Kong land bank during the first half of the year.

It finalised agreements to develop a 162,000 sq metre luxury housing estate with the Pacific Concord Group, and a 205,150 sq metre commercial and residential project with Mainland group China Resources.

Mr Li predicted that Hong Kong property prices, which have risen steeply this year, would stabilise in the second half of 1993, but that sales levels would remain high.

The directors announced an interim dividend of 24 cents a share, up from 20 cents a share in 1992.

Hang Seng Bank disappoints

By Simon Davies

HANG SENG Bank, the Hong Kong banking subsidiary of HSBC, disappointed market expectations yesterday by announcing a 17.5 per cent rise in first-half net profit to HK\$2.75bn (US\$354.2m), up from HK\$2.34bn in 1992.

The figures included a HK\$269.9m exceptional profit from the sale of Wing On Bank.

Excluding this one-off profit, net earnings grew by only 8 per cent. However, the bank would not say whether the figures included any provision against its exposure to Olym-

pia and York, the troubled Canadian property company.

HSBC Holdings operates the largest retail banking presence in Hong Kong, and owns 61.5 per cent of Hang Seng.

Hang Seng's earnings were significantly below analysts' forecasts, but they reflect slower loan growth in Hong Kong and increasing competition for deposits.

One analyst said: "It has been bankers' heaven in Hong Kong for the past two years. We are finally returning to a more normal banking environment." Last year, net interest margins reached peak levels.

Hang Seng Bank has a nega-

tive outlook for earnings in the near-term future, as a result of its forecast of a slow economic recovery in the US and Europe, and the impact on Hong Kong of China's austerity measures.

"The impact under this scenario would likely be felt towards the latter part of the year and possibly in 1994, leading to further slackening in exports, investment and domestic spending," the company said in its official statement.

The directors recommended an interim dividend of 50 cents a share, a 16 per cent increase from the 43 cent payout in 1992.

NEWS DIGEST

ERA passes annual payout

RESOURCES of Australia (ERA), the uranium miner, has passed the annual dividend to conserve funds for future mine development, despite a 48 per cent rise in profits for the year to June, writes Bruce Jacques in Sydney.

The company yesterday announced net earnings of A\$57.7m (US\$38.9m), up from A\$38.7m on revenues 3.4 per cent lower at A\$177.6m from A\$183.9m. The dividend last year was 4 cents a share.

Directors said cash flow would continue to be used to cut debt in preparation for development of a new mine, probably the Jabiruka deposit bought recently from Pancon-

ental Mining. ERA repaid A\$58.9m of transferable loan certificates in the year, cutting net debt to A\$123.8m.

The result followed interest expense of A\$4.1m, against A\$4.6m, and depreciation of A\$15.1m against A\$28.3m.

Goldman Sachs to evaluate Sidbec

THE Quebec government has retained Goldman Sachs, the New York investment bank, to help evaluate Sidbec-Dosco, a steelmaker with about 1.5m tonnes annual capacity that it indirectly owns, writes Robert Gibbons in Montreal.

The government has been trying to privatise Sidbec for several years, but the company has been losing money because of the recession. Its basic steel

plant near Montreal is modern, but the rolling and finishing operations need more investment.

CAI Capital, an investment firm headed by Mr David Culver, retired chairman of Alcan Aluminium, jointly with a union investment fund has made a tentative bid for Sidbec. The government says the private sector can run Sidbec best, but any buyer must provide for new investment.

Air Canada offer to block reshaping

CANADIAN AIRLINES claims Air Canada's C\$300m cash offer for its international routes is intended to block a key August 27 vote on Canadian's financial restructuring, writes Robert Gibbons.

Mr Rhys Eytan, chairman of

Canadian and its parent PWA, said the timing of this week's offer, which includes assumption of C\$800m (US\$625m) in debt and aircraft lease obligations, comes a week before debenture holders and shareholders of Canadian vote on the restructuring.

Three foreign banks have raised objections to the plan and Mr Eytan acknowledged that Air Canada's offer might sway some creditors.

American Airlines's C\$346m cash infusion depends on creditors' acceptance and Canadian's exit from the Gemini reservation system. The Gemini issue is before the courts, but a new Canadian offer of C\$21.5m to withdraw and join American's Sabre system has been rejected by Gemini.

Air Canada says Canadian cannot withdraw under its contract until 1995.

New Issue

This announcement appears as a matter of record only.

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Notice is hereby given that the notes will bear interest at 5½ per annum from 20 August 1993 to 22 February 1994. Interest payable on 22 February 1994 will amount to US\$120.17 per US\$100,000 note and US\$2.583.33 per US\$100,000 note.

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Notice is hereby given that the notes will bear interest at 7½ per annum from 18 August 1993 to 18 February 1994. Interest payable on 18 February 1994 will amount to \$35.29 per \$100,000 note and \$352.88 per \$10,000 note.

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Notice is hereby given that the notes will bear interest at 6.04688% per annum from 18 August 1993 to 18 November 1993. Interest payable on 18 November 1993 will amount to \$152.41 per \$10,000 note and \$1,524.15 per \$100,000 note.

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Floating Rate Notes due 1996

In accordance with the provisions of the New, notice is hereby given that the Rate of Interest for the three month period ending 17th November, 1993 has been fixed at 0.0875% per annum. The interest accruing for such three month period will be £35.34 per £100,000 Floating Rate Note, and £1,534.35 per £1,000,000 Floating Rate Note, on 17th November, 1993 against presentation of Coupon No. 6.

Union Bank of Switzerland
London Branch Agent Bank
17th August, 1993

National & Provincial Building Society

Issue of up to £200,000,000
Floating Rate Notes 1999

Notice is hereby given that on the three months 17th August, 1993 to 17th November, 1993 the Notes will carry an interest rate of 6.04167% per annum with a coupon amount of £172.39 per £100,000 Note and £1,723.89 per £1,000,000 Note payable on 17th November, 1993.

Bankers Trust Company, London Agent Bank

Continental Bank Corporation
US\$ 200,000,000 Floating Rate Notes
Due 18 August 1998

Notice is hereby given that the rate of interest for period 18 August 1993 - 19 November 1993 has been fixed at 3.75%. The coupon amount for US\$ 10,000 notes is \$ 95.83 and for US\$ 250,000 notes is \$ 2,395.83.

By: Continental Bank N.A., London
Agency Department

Date: 17 August 1993

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BUSINESS INFORMATION

INTERNATIONAL COMPANIES AND FINANCE

US Treasuries reach new highs on surprise trade data

By Patrick Harverson
in New York and
Sara Webb in London

AN UNEXPECTEDLY wide June trade deficit and strong demand for longer-dated securities pushed US Treasury prices to new highs yesterday morning.

GOVERNMENT BONDS

By midday, the benchmark 30-year government bond was up 1/2 at 100 1/2, yielding 6.524 per cent. At the short end of the market, the two-year note was 1/4 firmer at 100 3/4, to yield 3.912 per cent.

Technical factors, including a shortage of 30-year bonds which was squeezing prices higher, continued to sustain the long end of the market. Bonds were also aided by strong demand from investors seeking longer duration on their portfolios.

The day's economic news, a widening in the merchandise trade deficit for June to \$12.1bn, up from \$8.8bn, was also bullish for market sentiment.

The deficit, the widest since October 1987, was primarily the result of a sharp fall in exports, and indicated that the economy continues to weaken. Analysts said the deficit data suggested that second quarter real gross domestic product growth would have to be revised downward.

JAPANESE government bonds were sold off sharply in London trading as the yen slid against the US dollar, dampening any hopes of a cut in Japanese interest rates.

The Japanese government bond market closed lower in Tokyo, and then continued to tumble in London trading.

The yield on the benchmark No 145, which started the day at 4.095 per cent in Tokyo, closed at 4.125 per cent in Japan and then rose further in London to 4.19 per cent.

Mr Yasushi Mieno, governor of the Bank of Japan, emphasised on Wednesday that there were no plans to cut the Official Discount Rate. However, any remaining hopes

FT FIXED INTEREST INDICES									
	Aug 15	Aug 16	Aug 17	Aug 18	Aug 19	Aug 20	Aug 21	Aug 22	Aug 23
US Govt Bonds	100.12	100.15	100.18	100.21	100.24	100.27	100.30	100.33	100.36
US Govt Bonds	100.12	100.15	100.18	100.21	100.24	100.27	100.30	100.33	100.36
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GILT EDGED ACTIVITY									
	Aug 15	Aug 16	Aug 17	Aug 18	Aug 19	Aug 20	Aug 21	Aug 22	Aug 23
US Govt Bonds	100.12	100.15	100.18	100.21	100.24	100.27	100.30	100.33	100.36
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of an easing evaporated in the course of yesterday as the yen weakened against the US currency and many investors decided to take profits.

There had already been rumours that a big Middle Eastern investor was selling Japanese government bonds, which depressed the market, but dealers said the selling pressure became more intense as the US Federal Reserve bought dollars against the yen.

ATTENTION in the European government bond markets focused largely on Germany and the Bundesbank's much-awaited announcement of the M3

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRIA	5.500	08/01	111.115	+0.478	6.83	6.83	7.08
BELGIUM	8.000	03/03	113.000	+0.050	7.08	7.08	7.01
CANADA	7.500	12/03	103.950	+0.450	6.95	7.03	7.11
DENMARK	8.000	05/03	109.000	+0.150	6.71	6.78	7.10
FRANCE	8.000	05/08	108.878	+0.038	5.78	5.86	6.16
GERMANY	8.500	04/03	115.200	+0.070	6.34	6.30	6.72
ITALY	11.000	03/03	103.250	+0.040	6.32	6.31	6.52
JAPAN	11.000	03/03	103.250	+0.040	6.32	6.31	6.52
NETHERLANDS	7.000	02/03	105.800	+0.180	6.37	6.46	6.73
SPAIN	10.300	06/02	105.800	+0.180	6.37	6.46	6.73
UK GILT	7.500	09/08	107.18	+0.02	6.38	6.31	6.71
US TREASURY	8.500	09/03	107.18	+0.02	6.38	6.31	6.71
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US TREASURY	8.500	09/03	107.18	+0.02	6.38	6.31	6.71

London closing. * denotes New York morning session. Yield: Local market standard. (1) Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents). (2) Net annual yield (including withholding tax at 12.5 per cent payable by non-residents). (3) Price: US, UK in \$/100, others in local currency.

having traded to a 97.34 high.

UK government bonds fell up to 1/2 at a point at the long end as investors took profits after the market's substantial rally. Dealers said the market is still mulling over comments made by Michael Portillo on Wednesday, which appeared to rule out the chance of an imminent cut in the base rate.

The Liffo bund futures contract slipped from Wednesday's close of 97.22 to end at around 97.17 yesterday.

effects of intervention would appear in next month's money supply figures instead.

As a result, the market's hopes of an interest rate cut at the Bundesbank council meeting next Thursday were severely dampened.

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Bulis to be made more attractive by Bundesbank

By David Waller in Frankfurt

THE Bundesbank yesterday announced reforms to the bidding arrangements for Bulis - short-term money market instruments introduced earlier this year in an attempt to soak up excess liquidity created by the relaxation of minimum reserve requirements for bank lending.

The reforms are designed to make the new instruments more effective in mopping up liquidity outside the banking sector. The German central bank, which yesterday launched a new DM50bn

dissemination of "Bulis", said it was dissatisfied because the bulk of the DM50bn of Bulis issued so far had been taken up by banks and foreign investors.

Under the reforms, non-banks - a category which embraces industrial corporations as well as insurance companies - will be able to bid for the new securities direct through the Landescentralbank, the Bundesbank's regional branch network. They will no longer be obliged to buy the securities through banks.

The minimum denomination is being raised from DM100,000 to DM500,000. Mr Johann Wilhelm Gaddum, a Bundesbank director, explained that this was designed to make the instruments more attractive to

non-banks which had held back out of fear of competing with private investors.

He said that only 10 per cent of the Bulis issued so far had ended up in the non-bank sector, while foreign investors - including central banks - held just over 50 per cent and the banking community the rest.

This was disappointing because a central reason for introducing the Bulis was to give the Bundesbank a degree of direct control over liquidity outside the banking sector.

The aim is to strengthen Bulis as an instrument of monetary policy, Mr Gaddum said. This reflects the central bank's concerns about growth in money supply growth, regarded as a determinant of future inflation.

Economists said the move could strengthen German money markets, which are under-developed by the standards of other financial centres as the availability of short-term money market instruments is limited.

The new Bulis will be issued in two tranches with maturities of three and six months, replacing Bulis maturing on September 3. The terms will be set by the tender. The Bundesbank said it intends to replace all Bulis maturing from December onwards with regular six-month maturities.

sure to the escudo, since the warrants are hedged into D-Marks at a rate of £102.12.

Many investors are also wary of the Portuguese bond market's illiquidity, having suffered heavy losses in last summer's currency turbulence. Warrants allow investors to participate in the market at a limited cost.

The call warrants cost DM3.75 each and give holders the right to buy the 11 1/2 per cent OT (Portuguese government bond) due April 2000 at a set price of 108.85. The warrants can be exercised only on one day, May 19 1994.

Moody's, the US credit rating agency, took the bank off the Creditwatch list last week and affirmed the bank's rating of A2.

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Moody's, the US credit rating

Willis Corroon grows 17% to £63m

By Andrew Jack

WILLIS CORROON, one of the UK's largest insurance brokers, yesterday reported pre-tax profits up 17 per cent from £54.1m to £63.1m in the six months ending June 30.

Turnover grew by 12 per cent to £371.2m (£331.2m), including £367.8m from continuing operations.

Mr Peter Stevens, head of corporate communications, said: "This is a year when we were not going to do exciting things with the outside world but to consolidate."

"We have had a big merger and sorting out, and we have been able to take good underlying growth in revenues which we ought to be able to maintain."

Exchange rate movements added £4.6m to profits. Underlying brokerage and fee revenue grew by 2 per cent from the previous first half. Underlying expenses fell by 1 per cent.

On continuing operations, operating expenses rose 12 per cent to £133.9m and underwriting claims rose to £13.1m (£11.5m).

Revenue from continuing

broking activities rose 14 per cent to £366m and from underwriting activities by 14 per cent to £28.2m.

The company said premiums remained low in the US, although there were signs of hardening rates for property risks.

A £5.8m loss on Sovereign Marine and General, the UK underwriting business which was closed in 1991, was offset by £900,000 released from provisions made to cover run-off from the business over 20 years.

That compared with a loss on Sovereign of £2.7m in the

previous quarter and a profit of £100,000 for the six months to June last year.

The dividend was halved to 3.3p in line with the board's decision to increase its cash position.

The directors approved second and third quarter dividends of 1.65p, with the alternative of a scrip dividend.

Mr Stevens said the company had a net cash inflow of £18m, compared with an outflow of £32m last year.

"We had quite a cash squeeze in 1992 and it was felt prudent to reduce the dividend," he said.

He added that while the lower dividend was easily covered at the time of the interim results, the bulk of the company's revenues came in the first half of the year.

Interest and investment income fell by £800,000 to £27.1m.

The share of profits from associates rose by 36 per cent to £5.3m (£3.9m).

Earnings per share for total operations increased by 1p to 9.3p and for continuing operations by 1.9p to 10.2p.

See Lex

Sotheby's optimistic despite cut in dividend

By Karen Zagor in New York

SOTHEBY'S Holdings, the auction house, has cut its quarterly dividend from 15 cents to 6 cents per share, but remains optimistic about future earnings.

The company, which recently reported a 48 per cent expansion in second quarter net income, had indicated at its annual meeting in June that it might cut its dividend.

Mr Michael Ainslie, president and chief executive, said the reduction "reflects the implementation by the board of the previously articulated position that the company would not maintain a dividend payout in excess of earnings."

Last year Sotheby's earnings dropped 69 per cent to 7 cents per share, but it paid a dividend of 60 cents which was covered by profits from the sale of inventory and the reduction of its loan portfolio.

Yorkshire Elec plans expansion into Finland

By Peter Pearce

Yorkshire Electricity is to be the first regional electricity company to expand its core businesses of distribution and supply outside the UK.

It announced yesterday that it was in discussions with the city of Turku, Finland, about the possible acquisition of its electricity distribution and district heating businesses.

Mr Tony Coleman, group finance director, said he thought Yorkshire was "about six weeks from a final decision" by the municipal authorities of Turku which has about 50,000 customers.

He described the deal under negotiation as "low-risk and sticking to our core skills".

It would be "pretty arm-length", he added, involving mainly "experience and expertise" after the cash contribution.

Hillsdown disposes of abattoir to Goodman

By Maggie Wray

HILLSDOWN Holdings, the food group, has sold another abattoir as part of its programme of reducing its involvement in the red meat slaughtering industry.

The sale, for an undisclosed sum, is within the provisions the group set up in 1992 to cover such sales. Hillsdown shares rose 5p to 171p.

The buyer of the abattoir, which is at Torrington in Devon and employs 189 people, is a member of the Goodman International Group, the Irish-owned beef processing group which in 1990 sought protection from its creditors.

A sharp deterioration in profits from its meat business, in an industry suffering chronic overcapacity, persuaded Hills-

down to announce in March an accelerated reduction in its activities in this area.

Hillsdown took a £92.3m provision in its 1992 accounts covering this and other problems.

The Torrington abattoir processes 5,000 lambs, 3,000 pigs and 800 cattle a week, mainly selling to supermarkets and for export. In April, Hillsdown sold an abattoir, which processed 4,000 lambs and 800 cattle a week, for £2.5m.

The Torrington abattoir, part of Hillsdown's North Devon Meat subsidiary, is EC approved. New EC regulations on abattoirs were introduced in January this year, but those abattoirs which have not met the new standards can continue to operate for three years, sustaining the over-capacity problem in the industry.

Cray's former chief offloads entire holding of 9m shares

By Peter Pearce

SIR PETER Michael, the former chairman of Cray Electronics, yesterday conditionally sold his entire holding of 8.9m ordinary shares in the data communications and software systems group, which bought the Dowty information technology division from TI for £50m last August.

It is thought the sale price was about 140p, which would

have given Sir Peter about £12.6m before expenses. Yesterday the shares closed up 24p at 148½p.

Some 3.39m shares were his existing holding. The balance was converted from his entire holdings of deferred convertible shares, A deferred redeemable shares, and B deferred redeemable shares.

These derived from the final tranche of Cray's share option-based incentive bonus package

for Sir Peter, Mr Roger Holland, his successor as chairman, Mr Jeff Harrison, finance director, and Mr Jon Richards, group managing director.

The bonus was triggered in July by the group's 1992-1993 results.

Pre-tax profits leapt from £2.35m to £29m boosted by the Dowty acquisition. Earnings were up from 1.9p to 13.8p per share.

Vodafone sets up an overseas overseer

By Andrew Adonis

VODAFONE, the UK mobile communications group, has set up an international company to oversee its growing overseas business.

Although the UK still accounts for most of Vodafone's income, the company has significant stakes in Cellular franchises in Hong Kong, Germany, South Africa, Australia, Greece, Sweden and Denmark. Half of its projected £300m capital investment this year is devoted to overseas franchises.

The company has bids pending in Egypt and Hungary, and plans further expansion in western Europe and the Asia-

Pacific region as opportunities arise. Its medium-term objective is to have overseas franchises covering a population base as extensive as the UK, allowing for income differentiation.

The managing director of Vodafone Group International will be Mr Julian Horn-Smith, currently managing director of Vodapage.

Mr Gerry Whent, chief executive of Vodafone, said: "The new company recognises the important role our overseas businesses will play in the future of Vodafone, and will allow us to devote the necessary time and effort to the UK companies which are still the backbone of our business."

Computer lift for Kode

A TURNROUND in the computer services business, which benefited from an acquisition, enabled Kode International to more than double its profits in the half year ended July 2.

At the pre-tax level profit worked through at £710,000 (£330,000), on turnover ahead from £9.64m to £12.3m.

DCM Services, the computer services operation, turned in a profit of £123,000 (losses of £453,000) in the face of "unusually difficult" market conditions, with intense price competition on maintenance contracts. However, continued

success was achieved in non-maintenance.

The printed circuit board companies exceeded budgeted profit, but were down on 1992 because of the expected reduced business from one of Kam Circuits' principal customers.

However, Kam was able to win orders from new customers and there had been an upturn in activity from existing sources.

Earnings in the half year came to 4.3p (2.5p) per share and the interim dividend is raised from 1.5p to 2p.

Bromsgrove in £3.68m disposal

Bromsgrove Industries, the Birmingham-based specialist engineer, has entered into a conditional contract for the sale of part of its Selly Oak site for a minimum £3.68m.

The purchaser of the site, previously occupied by Broms-

grove's Birmingham Battery and Metal offshoot, is a private company specialising in property development.

The contract is conditional upon planning permission being obtained. Bromsgrove's shares rose 5p to 106p.

M&W in stores deal with Paper Chain

M&W, the food retailer and wholesaler, has exchanged contracts to buy eight neighbourhood convenience stores from Paper Chain (East Angles). It is selling on two of the stores to Beta Superette.

The purchase price for the eight stores is £941,000, plus stock at valuation payable in cash. The sale of the two stores will raise £271,000 plus stock at valuation. So the net consideration amounts to £670,000.

The six stores that M&W is retaining are in Essex, Cambridgeshire, Hertfordshire and Middlesex. They are not expected to contribute to profits for the year to October 2 1993. But after that they are expected to put in £163,000.

DIVIDENDS ANNOUNCED				
	Current payment	Date of payment	Current dividend	Total for year
Clarke (T)	1.25	Oct 4	1.38	4.07
County Ribbit	nil	nil	nil	0.5
County Smaller	1.875	Sept 30	1.875	3
Dunsgroup	1.5	Nov 5	0.75	3
Kode	2	Sept 10	1.5	5.5
M&G Income	1	Oct 20	1.375	5.625
New Zealand Inv	0.5	Oct 29	0.5	2.1
N Midland Coast	0.4	Oct 1	0.3	0.8
Sotheby's Hidge	64	Oct 7	18	80
Wicks	0.2	Jan 5	nil	nil
Willis Corroon	1.55	Oct 1	3.3	13.2

Dividends shown per share net except where otherwise stated. (US\$1 stock. (Make 4.55p to date (9.5p). (Third interim makes 1.5p to date. (Second quarter dividend payable in US cents, makes 21 cents so far this year.

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- proficiency in use of PC for financial analysis and projections, and text processing.
- at least five years' successful record in a similar post.
- age 30 - 40.
- fluent English.

Middle Eastern experience and knowledge of Arabic would be valuable, though not essential.

Attractive remuneration and usual expatriate benefits will be offered. Please reply with career history to Mr E Morgan, KPMG Peat Marwick, International Markets Group, 1-2 Dorset Rise, Blackheath, London EC4A 3AE.

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The position is far from a standard financial management role, in that it offers major scope for impact in the commercial/marketing area. Its primary focus will be the development and marketing to clients of new accounting products, in line with the company's strategic aim to grow this aspect of its service. This will involve new business pitches and considerable external contact at varying levels of seniority. In addition, you will be responsible for all core financial activities, including overall management of a team of 30, Treasury and RICS accounting compliance.

Candidates are likely to be ACA's aged mid-30's with several years experience outside the profession who now seek a move to a role with a much greater commercial orientation. A background of success in a senior position within the property sector would be seen as highly attractive. Excellent communication skills, drive and determination, maturity and the ability to quickly establish personal credibility will all be essential personal qualities.

Please write enclosing a full CV, quoting reference 641, to Nigel Bates, Whitehead Selection Ltd, 43 Welbeck Street, London W1M 7HF.

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COMPANY NEWS: UK

Market share expected to fall in face of nuclear and gas-fired plants
Competition hits Nat Power

By Michael Smith

NATIONAL POWER, the largest electricity generator in the UK, expects its share of the power market to fall by some 7 to 8 per cent to the low 30s over the next year, Mr John Baker, the company's chief executive, said yesterday.

The fall, foreshadowed at the company's annual general meeting last month, is the result in part of increased competition from nuclear and gas-fired plants.

Most of National Power's units are coal or oil fired.

Mr Baker was speaking to regional journalists. He forecast "good double digit dividend growth" for the current year.

Plans were well advanced to reduce the group's dividend cover from the current 3.1 per cent to 2.5 per cent over the next two years, he said.

His comments come amid widespread speculation about the future of National Power.

and PowerGen, the other main electricity generator, arising from an inquiry by Prof Stephen Littlechild, the industry regulator, into their costs and margins.

The inquiry has been given added impetus by a rise in prices in the electricity wholesale market since April.

Prof Littlechild has said he will decide by the end of the year whether to refer the generators to the Monopolies and Mergers Commission.

Some analysts believe National Power is unduly pessimistic in its public announcements.

Mr Baker said it had become increasingly difficult to offset lower earnings with cost reductions, and earnings growth for the company over the next few years was uncertain.

On coal he said National Power had not been able substantially to reduce coal stocks. Prospects for burning more coal in the foreseeable future were "pretty remote".

This confirms the worst fears of British Coal which increasingly believes additional sales this year, essential if it is to stay open, will be small.

Mr Baker said it was in everyone's interest to have an efficient domestic coal industry.

The company would try to take more local coal over the next few years, but it had to be at competitive international prices.

Mr Baker confirmed intentions to expand abroad. "By the end of the decade we hope that between 10 and 20 per cent of our earnings will come from overseas investments."

He indicated that he expected the government would sell its 40 per cent stakes in National Power and PowerGen by this time next year, provided there was no reference to the Monopolies and Mergers Commission.

"The Treasury would clearly like to sell and we would be happy to co-operate," Mr Baker stated.



John Baker: prospects for burning more coal are remote

Dawsongroup shares jump 60p

By David Stockwell

SHARES IN Dawsongroup, the Milton Keynes-based commercial vehicle hire and distribution company, surged 60p to 303p yesterday on news of a jump in interim pre-tax profits from £1.97m to £2.55m.

Mr Peter Dawson, the chairman and chief executive who holds almost 75 per cent of the shares, said the result represented "an exceptional performance in what is still a fragile market."

The 80 per cent rise in profits for the six months to June 30 was achieved on the back of a 13 per cent increase in turnover to £24.5m.

Earnings per share rose to 7.7p (4.5p) and the interim dividend is doubled to 1.5p.

The group has two main divisions - truck and trailer rentals and a large Volvo truck dealership. Mr Dawson said the rental side, which includes both short-term and contract hire as well as portable cold stores, continued to be the cornerstone of the group's recovery.

Activity in the new and used truck market had increased - but from a very low base. Margins had also been under further pressure on the service and parts side of the truck dealership.

Turnover from the rentals division was 5 per cent ahead at £17m, while pre-tax profits were 88 per cent up at £3.38m. That was achieved via a 10 per cent increase in rental revenues per unit, better utilisation of a smaller fleet and quality vehicles which could command higher prices.

In contrast, the commercial vehicle division's turnover was up 34 per cent, with sales to third parties of £7.7m (£5.77m) and intra-group sales of £5.91m (£2.13m), but pre-tax profits were only 12 per cent ahead at £191,000.

Mr Clive Gear, finance director, said the company's financial position remained strong, with gearing almost unchanged at 119 per cent. "The gearing may sound high, but in our industry it's exceptionally low."

Net borrowings were £38.2m (£31.7m) and net interest payable was virtually unchanged at £2.6m.

The rentals division plans to add at least one location to the current 29, and to replace more of the fleet. It believes it has a solid base of contract hire at 46 per cent of revenues, and points out that the portable cold store sector, now three years old, has doubled both size and turnover in the first half.

Conrad Ritblat cuts losses to £184,000

WITH ITS preliminary statement for the year ended May 31, showing a much reduced loss, Conrad Ritblat

Stclair Goldsmith announced the purchase of the freehold of the building in Glasgow which houses its Scottish operations.

It is buying the property, in West George Street, from Cityprop for £2.85m satisfied in an ordinary shares, subject to shareholders' approval.

British Linen Bank is arranging the placing of up to 5.68m of the shares at 47.5p each, to raise £2.7m for the vendor.

The group occupies some 5,150 sq ft of the building at a current rent of £81,700 per year; the remainder is let at a total of £150,000. The property

is generating an income yield of 7.43 per cent.

Mr John Ritblat, chairman of this surveying, estate agency and rating consultancy group, reminded shareholders that the merger of Conrad Ritblat and Stclair Goldsmith was completed just before May 31.

Despite a small drop in turnover from £2.7m to £2.67m the pre-tax loss was cut from £225,000 to £184,000 by effective control of costs. Losses per share were 1.4p (3.5p).

The rating division continued to "perform with distinction", while the professional department expanded in valuation work. Agency markets were difficult because of lack of tenant demand.

NEWS DIGEST

T Clarke declines to £274,000

SHARES OF T Clarke fell 10p to 72p yesterday following news that profits of the electrical contractor had fallen from £872,207 to £274,464 pre-tax for the half year ended June 30.

Turnover for the period improved to £32.2m (£30.12m). However, the directors warned that "given a real decline in turnover for the second half and anticipated redundancy costs, the results will be substantially down for the year".

The interim dividend is maintained at 1.28p from earnings of 1.28p (3.40p).

Clarke is ultimately owned by CS Holdings (Credit Suisse).

M&G Income shows 61% net assets rise

The split capital M&G Income Investment Trust had a net asset value of 70.8p per capital

share at July 31, an advance of 61 per cent on the previous July's level of 43.81p.

The value of the zero dividend preference share rose from 37.15p to 41.41p over the same period.

Net revenue for the year amounted to £6.06m (£6.37m) for earnings of 2.46p (£2.58p) per income share.

An interim dividend of 1p (1.3875p) is declared. Directors reiterated their intention to pay three interim dividends at that level and a final of not less than 1.9125p.

New Zealand Inv net assets jump 75%

New Zealand Investment Trust reported a net asset value of 188.4p per share as at July 31, a year-on-year advance of 76 per cent.

Net revenue for the nine months to end-July amounted to £142,580, down from £156,207 in the comparable period. Earnings per share emerged at 1.43p (1.55p) and the third interim dividend is again 0.5p, making 1.5p to date.

Directors said that to reduce costs and to "facilitate easier administration" future dividends would be paid on a six-monthly basis.

County Smaller net assets rise

Net asset value per ordinary share of the County Smaller Companies Investment Trust stood at 100.69p at July 1. That compared with the 83.63p standing at June 30 1992 which covered the period from incorporation on April 10 1991.

Available revenue for the year to end-June totalled £556,334 (£518,941 for period). A second interim dividend of 1.875p, in lieu of a final, makes a 3p (same) total.

North Midland Cons increases 13%

North Midland Construction increased pre-tax profits by 13 per cent from £24,000 to £26,000 in the six months to June 30 on sales down 11 per cent at £8.75m.

The interim dividend is 0.4p (0.3p), payable from earnings per share of 0.71p (0.56p).

Fidelity European net assets at 130.33p

At June 30 1993 net asset value of Fidelity European Values was stated to be 130.33p per share. In the half year to that date income totalled £1.34m. Net revenue was £474,000 for earnings per share of 1.14p.

Idwal Williams to buy rest of Graig

The scheme of arrangement for Idwal Williams to effect the buy-out of Graig Shipping shares not already owned by them has been sanctioned and accordingly the consideration of 157.5p cash per share will be sent to shareholders in the next week.

Graig's independent directors, Mr Gordon Owen, Mr Peter Tudball and Mr Glyn Harris, have resigned from the board in line with the agreement announced on June 15.

Notice of Exercise of Call Option

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(the "Notes")

£150,000,000
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Notice is hereby given to the holders of the above Notes (the "Noteholders") that the Issuer has elected to exercise its option pursuant to Condition 6(c) of the Notes to redeem all the outstanding Notes on September 23, 1993 (the "Redemption Date") at par (the "Redemption Amount"), all as more fully provided in the Terms and Conditions applicable to the Notes and the related Paying Agency Agreement.

Payment of the Redemption Amount to the Noteholders will be made on or after the Redemption Date against presentation and surrender of the Notes and all unmatured Coupons at the office of the Principal Paying Agent or at any of the Paying Agents listed below. Coupons due on the Redemption Date should be presented as stated above. Upon the Redemption Date, unmatured Coupons relating to the Notes (whether or not attached) shall become void and no payment shall be made in respect thereof. Notes and Coupons will be void unless presented for payment within periods of 10 years and 5 years, respectively, from September 23, 1993, as set out in Condition 8 of the Notes.

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The Redemption Price of the Series A Notes will be payable on or after the Redemption Date upon presentation and surrender of the Series A Notes, together with all unmatured coupons attached, at the offices of the Paying Agents.

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Prices for electricity generated by the power stations of the electricity generating companies in the United Kingdom, as at 31.12.92

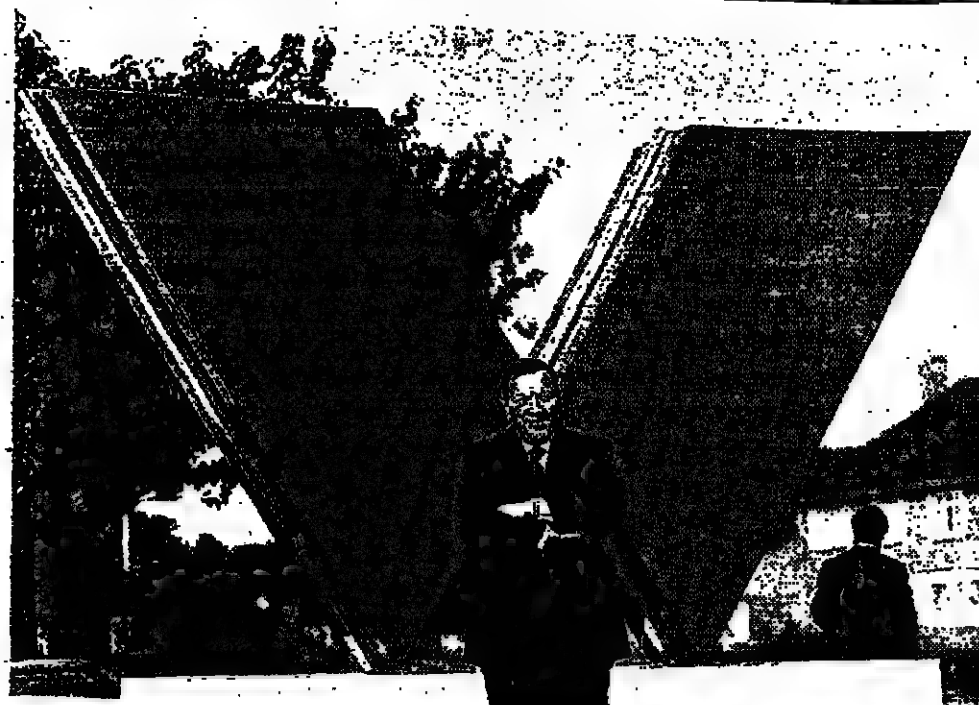
Station	Capacity (MW)	Cost (£/MWh)	Cost (£/kWh)
1	100	10.00	0.0100
2	100	10.00	0.0100
3	100	10.00	0.0100
4	100	10.00	0.0100
5	100	10.00	0.0100
6	100	10.00	0.0100
7	100	10.00	0.0100
8	100	10.00	0.0100
9	100	10.00	0.0100
10	100	10.00	0.0100
11	100	10.00	0.0100
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30	100	10.00	0.0100
31	100	10.00	0.0100
32	100	10.00	0.0100
33	100	10.00	0.0100
34	100	10.00	0.0100
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PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows:

- He proposes to grant separate licences under the Telecommunications Act 1984 ("the Act") to Sprint Holding (UK) Limited ("Sprint") and WORLDWIDE INTERNATIONAL, INC. ("WorldCom") to run telecommunication systems throughout the United Kingdom. Sprint and WorldCom are together referred to in this notice as "the Licensees". The Licensees will each be for a period of 25 years subject to earlier termination in specified circumstances.
- The principal effect of the licences will be to enable the Licensees to install and run telecommunication systems throughout the United Kingdom. The Licensees will be able to provide a wide range of services but excluding mobile radio services and certain international services. The Licensees authorize connection to a wide range of other systems including earth orbiting apparatus allowing the provision of some types of international satellite services. On securing a share of 25% or more of the market in respect of particular services, in an area specified by the Director General of Telecommunications, each of the Licensees may be obliged to make available those telecommunication services to all who reasonably request them within that area.
- The Licensees will be subject to conditions such that section 8 of the Act will apply to them, thereby making each of the systems run under each licence eligible for designation as public telecommunication systems under section 9 of the Act. It is the intention of the Secretary of State to designate the systems of each of the Licensees as public telecommunication systems.
- The Secretary of State proposes to grant the licences in response to an application from each Licensee for such a licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.
- He proposes to apply the telecommunications code ("the Code"), subject to certain exceptions and conditions, to Sprint throughout the United Kingdom and to WorldCom in London and its vicinity (a map of the area is attached as an Annex to the draft licence). The effect of the exceptions and conditions on the application of the Code is that the Licensees will have duties:
 - (a) to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;
 - (b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensees, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of their apparatus;
 - (c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and, where appropriate, English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;
 - (d) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in each licence to the power under the Code and;
 - (e) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.



Henry Sweetbaum: Hunter Timber, a former drain on resources, was now close to making a profit

Wickes achieves £4.1m and resumes dividend payments

By Neil Buckley

WICKES, the DIY and timber retailer which came close to collapse two years ago, yesterday returned to the dividend list after a two-year absence, on the back of improved interim profits.

The company, which operates 111 stores in the UK, Belgium, the Netherlands and France, declared an interim pay-out of 0.2p as it revealed pre-tax profits of £4.08m for the six months to June 30.

That compared with £8.5m last year on an FR3 basis, which included extraordinary gains of £5.1m on the conversion of unsecured loan stock. Stripping out those gains, the comparable pre-tax profit was £1.3m.

Earnings were 1.0p (2.1p including extraordinary gains). Turnover increased to £294m (£266.6m). UK turnover increased by 13 per cent and pre-tax profits by 17 per cent.

Excluding new stores, like-for-like sales rose only 0.5 per cent. But Mr Henry Sweetbaum, chairman, said that represented a "significant increase in share" in a static market.

Sales and profits in continental Europe increased by 5 per cent, with like-for-like sales up 4.5 per cent in spite of the weaker economic climate.

Sales rose 9 per cent at Hunter Timber, whose acquisition for £273m in 1988 proved to be a severe drain on Wickes' management and financial resources. Mr Sweetbaum said the chain was now close to making a profit before interest, after Wickes reduced its size and introduced a system of incentives for increasing volumes.

Trading remained difficult at the Maiden timber and joinery subsidiary, whose customer base of small "jobbing" builders was badly hit by the recession. The new Builders Mats format, however, was performing well, with 11 new branches opening, taking the total to 18.

Wickes plans to open seven more stores in 1993.

Group debt declined from £73.2m to £70.6m during the period, reducing gearing to 88 per cent (94 per cent), and the lower borrowings and interest rates reduced net interest charges to £5.23m (£7.32m).

Mr David Gordon, managing director of Marston, said the outlets acquired increase the company's estate to 230 managed houses and 664 tenanted outlets.

Mr John Denning, director of Bass Taverns, said yesterday: "We continue to manage our portfolio of pubs to improve the overall quality of our estate and the return on capital employed."

Bass has opened 22 new houses so far this year and has a further 16 sites under development, representing a total investment of £34m.

The pubs bought by Marston are mainly in south and south-west England and in Yorkshire and Lincolnshire, areas in which the brewer is not represented in strength: 38 are freehold and 37 are under management, with the rest let to tenants.

Mr Christopher Bailey, chairman, said the company had started talks with Mr Andreas O Uglund and other members of his family regarding the proposed acquisition of a fleet of vessels and a ship management business.

Should the transaction proceed, he said the company expected to fund the purchase price, expected to be between £15m and £20m, by means of a rights issue. The enlarged group would be better positioned to take advantage of further shipping-related opportunities, he said.

At the same time the ship repairer and engineer announced a pre-tax loss of

Bass sells 46 pubs to Marston

By Philip Rawstone

BASS has agreed to sell 46 public houses to Marston Thompson & Evershed, the Staffordshire-based regional brewer, for £10.5m.

This follows Bass's sale of 44 pubs to Greene King, the East Anglian brewer, last week for £17.5m.

Mr John Denning, director of Bass Taverns, said yesterday: "We continue to manage our portfolio of pubs to improve the overall quality of our estate and the return on capital employed."

Bass has opened 22 new houses so far this year and has a further 16 sites under development, representing a total investment of £34m.

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Mr David Gordon, managing director of Marston, said the outlets acquired increase the company's estate to 230 managed houses and 664 tenanted outlets.

Bristol Channel shares suspended

By Jean Marshall

SHARES IN Bristol Channel Ship Repairs were suspended yesterday at 8p at the company's request pending shareholders' approval of its reorganisation proposals.

Mr Christopher Bailey, chairman, said the company had started talks with Mr Andreas O Uglund and other members of his family regarding the proposed acquisition of a fleet of vessels and a ship management business.

Should the transaction proceed, he said the company expected to fund the purchase price, expected to be between £15m and £20m, by means of a rights issue. The enlarged group would be better positioned to take advantage of further shipping-related opportunities, he said.

At the same time the ship repairer and engineer announced a pre-tax loss of

£581,150 for the year to March 26, compared with profits of £188,804. Turnover fell to £48,974 (£1.27m).

Mr Bailey said the result had been hit by the recession, coupled with the upgrading work which had effectively closed the dry docks for some months.

The losses were also after a non-recurring charge of £180,000 for cancelling management and administration agreements with CH Bailey, a £124,000 rise in repair and maintenance costs and other non-recurring charges.

Losses per share were 0.74p, against earnings of 0.21p.

Mr Bailey said that at about the time of the annual meeting he would step down in favour of Mr Uglund. Other directors would also be resigning.

Mr Uglund is chairman of Uglund Brothers, a ship management company, which is Bristol's largest shareholder with a 24.19 per cent stake.

Brammer studies pumps arm bid

Brammer, the ball bearing distributor and electrical services group, yesterday said it was considering a conditional offer for its Master Pumps and Equipment US offshoot.

The approach could lead to a firm offer within the next few weeks, the company said.

It has been seeking a buyer under its policy of concentrating resources on Europe.

SCHNEIDER S.A.

SOCIÉTÉ ANONYME
Incorporated in France with limited liability
Registered office: 4, rue de Longchamp - 75116 PARIS

NOTICE OF GENERAL MEETING

The holders of the 2 per cent Guaranteed Exchangeable Bonds due 2003 of SQUARE D Company are invited to attend the General Meeting to be held on 6th September 1993, at 12.00 a.m., at the office of the Compagnie Financière de CIC et de l'Union Européenne, 4, rue Gaillon, Paris 2^e, to consider the following agenda:

Examination and approval of the merger-absorption of SCHNEIDER by Société Parissienne d'Entreprise et de Participation (SPEP), and agreement, subject to the completion of this operation, of SPEP being the only debtor of the Guaranteed Exchangeable Bonds.

In order to attend or be represented at the meeting, holders of bonds must deposit, at least five clear days prior to the meeting at the head office, the certificate of deposit, issued by the bank, financial institution or stockbroker with whom the bonds are lodged.

If the quorum of this General Meeting is not present, the meeting will be adjourned until Thursday 10th September 1993 at 12.00 a.m. at the same place.

THE BOARD OF DIRECTORS

THE BUSINESS SECTION

Appears Every Tuesday & Saturday.

To advertise please contact Karl Loynton on 071-873 4780 or write to him at

The Financial Times, One Southwark Bridge, London SE1 9HL.



LIBERTY LIFE ASSOCIATION OF AFRICA LIMITED

(Registration number 57/02788/90)
(Incorporated in the Republic of South Africa)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 1993

CAPITALISATION SHARE AWARD OF 1.5 NEW FULLY PAID ORDINARY SHARES FOR EVERY 100 ORDINARY SHARES HELD IN LIBERTY LIFE ASSOCIATION OF AFRICA LIMITED AND RIGHT OF ELECTION TO RECEIVE THE INTERIM CASH DIVIDEND OF 80 CENTS PER SHARE IN LIEU THEREOF

Summarised group income statement

		Six months ended				Year ended
		30 June				31 December
		(unaudited)				(audited)
	Note	1993	1992	1992	change	1992
		£m	Rm	Rm		Rm
Net taxed surplus attributable to ordinary shareholders		35.3	177.0	144.7	+22.3	352.8
Number of ordinary shares in issue ('000)	229 142	229 142	228 103	—	228 103	228 103
Number of ordinary shares on which net taxed surplus per share is calculated ('000)	228 953	228 953	227 813	—	227 813	227 813
Net taxed surplus per share (cents)	1	15.4p	77.3	63.5	+21.7	154.6
Dividends per ordinary share (cents)						
- Interim (cash equivalent)	2	15.9p	80.0	54.0	+48.1	54.0
- Final (declared 11 February 1993)		—	—	—	—	78.0
Total dividends per ordinary share (cents)	2	15.9p	80.0	54.0	+48.1	132.0
Special anniversary dividend per ordinary share (cents) - (declared 16 August 1992)		—	—	100.0	—	100.0

*Note: Converted at the Commercial Rand rate of exchange at 30 June 1993 of £1 = R5.02

Notes

1. Life Insurance surplus

Actual valuations of the life funds of Liberty Life and its subsidiary are not conducted at the half-year stage. For the purpose of this interim report, the net taxed surplus has been based on an estimate resulting in net taxed surplus per share being shown at half the level achieved for the previous full financial year ended 31 December 1992.

2. Capitalisation share award and right of election to receive the interim cash dividend in lieu thereof

The directors have resolved to award capitalisation shares to ordinary shareholders of Liberty Life who are registered in the books of the company at the close of business on Friday, 3 September 1993 in lieu of the interim cash dividend in the ratio of 1.5 new fully paid ordinary shares of 10 cents in Liberty Life for every 100 ordinary shares held ("the capitalisation shares"). Shareholders are entitled and will be given the opportunity to decline the award of capitalisation shares in respect of all or any part of their shareholding and instead may elect to receive an interim cash dividend in respect of the year ending 31 December 1993 of 80 cents per ordinary share ("the election").

In the normal course, the Liberty Life interim dividend would have been 60 cents per share following the company's usual dividend policy at the interim stage of declaring half of the previous year's total normal dividend. In conjunction with the award of capitalisation shares in lieu of the interim dividend, it has been decided that the equivalent interim cash dividend which may be elected, would for 1993 be declared at 80 cents per ordinary share, being half of the estimated total dividend for the year of 160 cents (1992: 132 cents). It should be stressed that this change in dividend policy and capitalisation issue must not be assumed as a precedent and will not necessarily be continued in the future.

To the extent that capitalisation shares are issued in the above circumstances, this should minimise Liberty Life's liability in respect of Secondary Tax on Companies (STC). Non-resident shareholders making the election to receive the interim cash dividend will be subject to non-resident shareholders' tax of 15%. However, this will not apply in the case of non-resident shareholders receiving the capitalisation shares.

The new ordinary Liberty Life shares which will be issued pursuant to the capitalisation share award will be issued as fully paid up by way of a capitalisation of part of Liberty Life's distributable reserves and/or share premium. Subject to the approval of The Johannesburg Stock Exchange and the London Stock Exchange, a listing for the new Liberty Life ordinary shares to be issued pursuant to the capitalisation share award will commence on Friday, 8 October 1993. Documentation dealing with the capitalisation share award and the interim cash dividend election will be posted to shareholders on or about Thursday, 9 September 1993. In order to be valid, completed election forms will need to be received by the company's South African or United Kingdom transfer secretaries, as the case may be, by no later than Friday, 1 October 1993. Should such election not be timely received, Liberty Life will automatically issue capitalisation shares to all relevant shareholders concerned.

The award of capitalisation shares will only be made to ordinary shareholders of Liberty Life on the basis of holdings of ordinary shares in whole shares. All fractions of new capitalisation shares will be aggregated and sold on The Johannesburg Stock Exchange for the benefit of all relevant shareholders.

It is expected that share certificates in respect of the new Liberty Life ordinary shares and, if applicable, cheques in respect of the interim cash dividend and fractions will be posted to shareholders on or about Friday, 8 October 1993.

3. Changes in subsidiaries

Listing of Liberty Life Strategic Investments Limited ("Liblil") on The Johannesburg Stock Exchange

It was announced on 22 July 1993 that Liblil Strategic Investments Limited ("Liblil"), a wholly-owned subsidiary of Liberty Life which was formed in 1963 for the purpose of holding for the account of shareholders' funds of Liberty Life part of the key strategic investments in leading South African industrial and financial companies, which, at the time of acquisition by Liberty Life, were considered to be too large for prudent absorption within the policyholders' portfolios of Liberty Life, would be listed on The Johannesburg Stock Exchange.

Summarised group balance sheet

		30 June 1993	30 June 1992	31 December 1992
		(unaudited) £m	(unaudited) Rm	(audited) Rm
Interests of - Shareholders of Liberty Life		1 214.9	6 098.6	4 969.3
- Minority shareholders		769.1	3 860.7	3 512.9
Total shareholders' capital and reserves employed		1 984.0	9 959.3	8 502.2
Long-term liabilities		577.1	2 897.2	2 567.3
Life funds (including investment and other reserves)		5 105.0	26 129.3	23 008.4
		7 766.1	38 986.0	34 077.9
Represented by: Investments		7 688.2	38 995.1	33 575.0
Government, municipal and utility stocks		1 385.4	6 934.8	5 777.8
Debentures, mortgages and loans		184.2	924.8	863.6
Properties		1 805.8	9 064.3	8 602.9
Shares and mutual fund units		4 119.3	20 678.8	17 101.3
Deposits and money market securities		193.7	972.4	1 229.4
Fixed assets		19.0	95.3	96.9
Cash resources		142.0	712.6	683.7
Other current assets		296.6	1 488.9	1 324.5
Total assets		8 145.8	40 891.9	35 682.1
Current liabilities		379.7	1 905.9	1 604.2
		7 766.1	38 986.0	34 077.9

*Note: Converted at the Commercial Rand rate of exchange at 30 June 1993 of £1 = R5.02

In order to implement these arrangements, Liberty Life on 4 August 1993 offered to its shareholders the renounceable rights to 114.57 million Liblil shares in the ratio of 50 Liblil shares for every 100 Liberty Life shares held to raise approximately R1.03 billion for Liberty Life before expenses. These shares were offered at a price of 90 cents per share calculated on the basis of a discount to Liblil's net asset value of approximately 10% at 21 July 1993, being the date upon which the terms of Liberty Life's offer were finalised. Shareholders were also given the opportunity of applying for additional Liblil shares at a price of 1 000 cents per share being the approximate net asset value per Liblil share at 21 July 1993. At the close of business on 16 August 1993, this net asset value was calculated at 1 000 cents. The offer will close on Friday, 3 September 1993. In the event that the offer is fully taken up, Liberty Life will hold approximately 80% of Liblil's issued ordinary share capital which for the purpose of the listing was established at 556 million shares of 1 cent each.

4. Record new business

Total new business written by Liberty Life and its wholly-owned subsidiary, Charter Life Insurance Company Limited, during the six months ended 30 June 1993 amounted to a record R1 036 million, representing a 47% increase over the R706 million recorded for the comparable period in 1992.

New annualised recurring premium income for the first six months of 1993 was R344 million, an increase of 24% over 1992's first half performance of R278 million. Single premiums totalled R692 million, an increase of 62% over the comparable amount written in 1992 of R428 million.

Achieved in the prevailing depressed economic conditions affecting South Africa, Liberty Life's new business figures confirm its proven ability to enhance market share through the continuing success of its extensive product range and its outstanding investment performance on behalf of its policyholders.

5. Comment

The net taxed surplus attributable to ordinary shareholders increased by 22.3% to R177.0 million (1992: R144.7 million) for the six-month period ended 30 June 1993. This increase is based on the conservative estimate of half the previous full financial years' net taxed surplus. This enabled the payment of the equivalent cash dividend of 80 cents per share, representing half the estimated total dividend of 160 cents per share for 1993, in conformity with the provisions of note 2 hereof.

Facilitated by a sharp rise in net premium income, which increased by 30% in the six-month period under review to R1.72 billion (1992: R1.32 billion) and the outstanding overall performance of Liberty Life, particularly in the investment area, total consolidated assets of the company improved from R35.7 billion to R40.9 billion. Over the six-month period, the Life Funds (including investment and other reserves) increased by R3.1 billion to a total of R26.1 billion and total shareholders' capital and reserves employed increased from R8.5 billion to almost R10.0 billion at 30 June 1993.

Subject to no unforeseen factors arising during the remaining months of the financial year, the net taxed surplus and results for 1993 are expected to show a satisfactory improvement over the level attained in 1992.

On behalf of the board

D Gordon
Chairman

A Romanis
Managing director

Johannesburg
18 August 1993

South African transfer secretaries
Central Registrars Limited
4th Floor, 154 Market Street
Johannesburg, 2001
PO Box 4844
Johannesburg, 2000

United Kingdom transfer secretaries
Barclays Registrars
Bourne House
34 Beckenham Road
Beckenham
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Net

Stakis likely to buy Rex Leisure

By James Buxton

Stakis, the hotels and casinos group, is believed to be close to agreeing the purchase of Rex Leisure, a privately-owned Coventry-based company which runs the Rubicon casinos in Coventry, Wolverhampton and Northampton.

The Glasgow-based company, which returned to profit last year after heavy losses and write-offs in 1991, recently signalled its intention to make acquisitions.

Last month it raised £9.6m by a share placing. Of the proceeds £5.55m is being used to buy a 128-room hotel in York, at present managed by Holiday Inns (UK). The balance was for other acquisitions.

Stakis refused to comment yesterday.

Rival Topic systems to be launched in October

By Andrew Fisher

ICV and Telekurs, the two companies chosen by the London Stock Exchange to develop the next generation of its Topic market information system, plan to launch competing versions in October.

ICV, a UK financial information company, took on existing Topic contracts with users of 14 terminals or fewer, while Telekurs, owned by a consortium of Swiss banks, took the bigger ones.

There are some 10,000 Topic terminals in use, roughly split between the two companies.

Telekurs said yesterday that it would unveil a new system on October 4 which would offer a choice of satellite or landlines for data communication.

ICV said its Topic 3 range, to be launched on October 19, would reduce costs by between 15 and 30 per cent, compared with the existing version of the 12-year-old system.

The company has invested about £3m in developing Topic 3 products. These include a version for use with Windows software.

Mr David Taylor, ICV's managing director, said data for Topic 3 would be delivered by satellite. ICV has rented broadcast capacity from France Telecom and has had a special satellite receiving system developed for customer sites. Reuters, the UK-based international news and financial information agency, offers a rival system called UK Equity Focus.

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US\$100 million

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MARTIN CURRIE INVESTMENT
MANAGEMENT LIMITED

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As this Fund was oversubscribed, this notice appears as a matter of record only.

ACCOUNTANCY COLUMN

Mass of fine print may obscure judgments

THE unsurprising event for accounting and auditing this year - with the unprecedented volume of pronouncements - has been the cry of "too much". But I have another concern: over-engineering the rules and you will endanger accountancy as a real profession.

There are still too many options for accounting for the same thing, when no one way can rationally be said to be right or best. The Accounting Standards Board needs support and encouragement in resolving the remaining issues. It is time, also, to extract ourselves from a stick-in-the-mud attitude to the need to redefine and revitalise the audit.

But you need a well sharpened pencil to draw the line between narrowing choices and compromising professional judgments. I readily acknowledge that practising accountants should now reassess the authority of those judgments and thus render an almighty rule book unnecessary.

For that is what professionalism means: forming judgments from professional experience and then sticking to what your guts tell you, however tough the going. Most accountancy is commonsense. An experienced auditor conducting a rapid financial investigation of a company will instinctively judge its financial state without pondering over the fine print of the rule book.

That is what a good audit represents, or should do. But I am currently seeing its reverse. The threat of sanctions (not least through litigation for absurd sums) engenders an attitude which says "stick to what the rules say - it's safer".

Auditing should remain an art. It is overlooked that the term derives from

Roger Davis argues that professional experience and instinct should count for more than rigid adherence to the rule book

the latin *audire* - to listen; that is, to listen to explanations and to judge on whether they stand up. The growing complexity of the different parts which make up a business, and of the environment in which it functions, requires more judgment, not less, by the auditor.

The problem is that the more rules you have, the more the avoidance industry will find the loopholes; and the inevitable consequence being yet more rules. It is so obvious that I stress it only because it is what I see happening in practice. Write a 50-page standard on the meaning of each of the 10 commandments and those inclined to adultery will find something to excuse their indulgence.

Applying that analogy to accounting, you find the need for yet more explanatory notes to the accounts as an excuse for not getting the figures right in the first place. It adds yet further to the complexity of company accounts.

There is a danger of reaching a level of auditing and accounting precision with which business will not be able to cope. Companies will adopt one accounting policy for their external reporting and another for internal management purposes. There can be no sense in that.

I fear for a profession more concerned with whether the figures get into the right boxes, rather than with a sensible overall picture of business performance, encapsulated in this recent exchange with one of our brightest managers: "If you were run-

ning this company would you think you had done well or badly?" answered by "It depends on how you interpret the standard".

So we have a stark choice. Auditors will go on shielding behind an ever-growing rule book. Or they will stand up to be counted on accounting that flies in the face of commonsense; I believe auditors did lose some of that culture in the 1980s, because of competitive pressures to retain business in an environment which was already encouraging a legalistic approach to accounting.

Thankfully, my evidence is that the climate has changed; company boards are increasingly asking auditors robustly to challenge their thinking on financial reporting and stewardship. The practising accountant should capitalise on the mood.

For I fear the consequences if the trend continues and a rule book mentality really does get a grip on auditing and accountancy. At best you will narrow the outlook of the people in the profession and they will increasingly lose sight of the underlying commercial drivers of the business being audited. At worst you will no longer be able to attract or retain those with the able and agile minds auditing needs if it is to serve the public interest.

It will also be deleterious to the outstanding business training which the profession has traditionally given to its graduates and from which industry has benefited.

That is equally true of more rules on what the auditor can and cannot do, such as so-called audit quarantining to build fences between auditors and management: a red herring if ever there was one, and something that betrays an outdated understanding of the profession.

Because the professional accountant's traditional business advice has required more specialism, many accountancy firms have become multi-disciplinary partnerships. Rather than threatening audit independence, all their services represent a professional challenge, founded on the audit discipline. Increasingly audit itself needs industry and functional specialists from non-accounting disciplines.

The final audit report to shareholders should be based on regular assurance to management from a unique professional perspective, and by working on the correct assumption that most British management is trying to do its best for stakeholders.

When the chairman of one of our largest clients said to me recently, "As the company's auditor, do you think the board should involve itself in this transaction whose ethics could be questioned?" should I have said "I am not allowed to advise you but I will tell you after the event"?

The good auditor has a knack of sensing those who are only on the make for themselves. No amount of rules will help; not highly prescriptive accounting standards; not lengthy auditing standards; not lengthier com-

pany accounts; and not longer audit reports. Quite simply an auditor should not put his or her name to a company report if the professional instinct says the basic message is wrong. But that is not the way we are going.

This is where we get back to professionalism. It is about none of the above, but the ability and attitude of those who work in the profession. The vicious circle is ever more regulations and a disinclination for brighter graduates to join the party.

The virtuous circle is the opposite. Can auditors be trusted with flexibility? Auditors have to earn that trust. I suggest:

- Practising accountants should view the rule books as the underpinning and not the driver of their judgments.
- They should be able to stand up for those judgments without fear of the consequences. So they need support, which they don't always get, not just from company managements but from all those institutions who share the responsibility for good corporate governance.

- Those who write the rules should concentrate on the spirit and avoid the growing tendency to over-engineer commonsense subjects.
- Those who interpret the rules in regulating company accounts and auditing should do likewise. For example, I would like to see the Financial Reporting Review Panel taking to task those who have followed the rules when to do so was perverse.

Quite simply, without trust professionalism is dead.

Roger Davis is head of audit at Coopers & Lybrand.

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To £40,000 plus Bank Benefits City
Talented German speaker with accounting and investment skills to join successful MBO business.

THE COMPANY

- Active European Management Buy Out business.
- Well funded, soundly backed. Superb investment performance.
- Small investment team supported by strong professionals.

THE POSITION

- Work with CFO and the team in monitoring portfolio of European investments. Provide accounting/legal/compliance support.
- Liaise with colleagues and investors in Germany. Travel required.
- Broad exposure to fast moving MBO market. Contact with existing and potential investee companies and investors at senior level.

QUALIFICATIONS

- First class business German mandatory.
- Qualified accountant with strong accounting background. Accounting and compliance experience in investment environment. Understanding of international MBOs.
- Probably aged c.30. Mature, highly motivated, credible at senior levels, superb communicator. Fascinated by investment. Hands-on approach.

Please send full cv, stating salary, Reference 1M2592
NBS, 54 Jermyn Street, London SW1Y 6LX
Telephone: 071 495 6392

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FINANCIAL CONTROLLER

To contribute to fundamental cultural change,
introducing tight budgetary controls to reflect a new commercial understanding

c. £45,000, bonus + car

M4 Corridor

The speed of growth of this high profile research and project management organisation has meant an inevitable acceleration in overhead spend. There is little income as yet, but the major shareholders are fully committed to the project; they are rightly insisting, however, that the need for rigorous cost control should never be forgotten in the excitement of genuinely leading edge technological research. This new post will be responsible for striking the important balance between control and excitement! Current expenditure must be set against future achievement, and budgets must be consistent with the corporate economic model, so we need more than just an accountant; candidates must demonstrate both an understanding of the economics of the operation in the broadest sense and the ability to preach the gospel of financial systems and control to high grade scientists and engineers. Experience in a contracts or project management organisation would obviously help, but above all we will be looking for broad commercial comprehension, robustness of intellect and style, proven managerial strength and the ability to contribute proactively to a fundamental cultural change. We take for granted strong accounting skills (both financial and management), a good accounting qualification, with no prejudice about which Institute, and an informed appreciation of the contribution to be made by Information Systems, and we expect our best candidates to be in their late thirties or early forties. Bonus should bring total remuneration up to around £50,000. Please send full career details, quoting reference WE3196 on both letter and envelope, to Terry Ward, Ward Executive Limited, 4-6 George Street, Richmond-upon-Thames, Surrey TW9 1JY.

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REVENUE ASSURANCE MANAGER

c.£30,000pa + car

Your leadership qualities will count as much as your accounting skills. Heading a small team you will be responsible for the completeness of all call data records from the switch to our fully computerised billing systems. You will also ensure that adequate backup is in place, that bills are accurate and that we meet our statutory licence requirements.

- You will need:
- At least two years' post qualification experience.
- Preferably, exposure to audit in a telecomms/high-tech environment.
- Excellent analytical and communication skills.
- Experience of state-of-the-art billing systems.

INVENTORY ACCOUNTANT

c.£28,000pa + car

A pro-active approach is required in this role which provides key financial support to the warehousing and distribution function. This support includes provision of management information as well as managing the underlying controls, reconciliations and systems development in a dynamic, high-tech environment. You will also deputise for the Financial Accountant and assist with our programme of continuous improvement.

- You must have:
- A recognised professional accounting qualification.
- Experience of stock accounting, purchase ordering/purchase ledger systems and processes.

- Good financial accounting experience.
- Experience of TQM and the development of highly efficient processes and controls.
- Excellent interpersonal and influencing skills.

Ref: 5615.

INTERNAL AUDITOR

c.£25,000pa + car

This role with its finger on the financial health of the company involves helping the Operational Review Manager to develop and implement an internal audit programme, that satisfies all our customers. As such, you will be expected to communicate effectively with shareholders and external auditors. You will also support other departments writing new procedures and developing new or existing systems and you will be expected to carry out special ad hoc projects.

You must possess:

- Ideally, a recent professional qualification gained with a major firm of Chartered Accountants.
- Experience of high-tech clients, ideally in telecomms.
- Experience of developing and implementing computer systems/internal controls.
- Strong analytical skills.
- Excellent communication and interpersonal skills.

Ref: 5616.

We are looking for pro-active, innovative professionals who are prepared to challenge the status quo in their drive for quality, efficiency and performance. You must have highly developed communication/interpersonal/learn skills and the flexibility to thrive in a fast changing environment.

In addition to competitive salaries, we offer comprehensive benefits and excellent career prospects in a dynamic and progressive young organisation jointly owned by the globally successful Cable & Wireless and US WEST.

Please send your cv., quoting the appropriate reference number, to our retained consultant Steve Gardner at Stafford Long & Partners Recruitment Ltd., 12-14 Whitfield Street, London W1P 5RD.



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EGHAM Saraan Platt at Robert Half Princess Beatrice House, Victoria Street, Windsor, Berks SL4 1EH

SOUTHAMPTON Lynne Kebby at Robert Half & The Concorde, New Road, Southampton SO2 0AA

BRISTOL Jackie Pressington at Robert Half 33 Wine Street, Bristol BS1 2BQ



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THE HUMAN FACTOR

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

PRESENTING YOURSELF

Are you and your staff presenting the best image for your company?

In London on Tuesday 7th September 1993 at The London Marriott Hotel, Grosvenor Square, W1. 8.15am - 9.30am

In Egham on Wednesday 8th September 1993 at the Runnymede Hotel, Windsor Road, Egham, Surrey. 8.15am - 9.30am

In Southampton on Tuesday 5th October 1993 at the Novotel, 1 West Quay Road, Southampton. 8.15am - 9.30am

In Bristol on Wednesday 8th October 1993 at the Grand Hotel, Broad Street, Bristol. 8.15am - 9.30am

This breakfast briefing will be given by Mary Spillane, a leading image Consultant, who advises companies throughout Britain and Europe on making the most of their corporate image through their people. Her previous Robert Half presentations have been hugely popular. Now she returns with material from her two new books for today's business professionals: 'Presenting Yourself. A Personal Image Guide for Men' and a companion for women.

Her talk will cover:-

- Why top CEOs consider a good image more important than an MBA
- How to assess your own image as below, at or above par with your peers

- Tips for handling meetings, TV and presentations
- The pitfalls of business dress for women and men

As Chairman of CMB Image Consultants Europe, Mary Spillane directs a network of over 1000 consultants, who advise both men and women on making the most of themselves. Her clients include Barclays Bank, Mercury Communications, Marks and Spencer, Grand Metropolitan ICI and the Prudential. She holds an MPA from Harvard University, an MS and BA in Politics. Previous experience includes a consultancy to the United Nations in Geneva and the President Jimmy Carter administration in Washington, DC.

Places at the Breakfast are strictly limited.

Price Waterhouse

EXECUTIVE SEARCH & SELECTION

Finance Director

£50,000 Eton

Exceler Health Care Group Plc is engaged in the management of nursing homes in the UK. Company growth has created an opportunity for a new appointment of a Finance Director for the group, to take it through to stock market flotation.

The small management team in this highly successful venture, is led by an entrepreneurial managing director, who needs a qualified finance director to assist with the acquisitive growth and development of the business.

In addition you will be expected to manage the financial aspect of shareholder relationships and to ensure that meaningful financial and management accounts are produced.

A qualified, preferably chartered, accountant with extensive commercial experience in acquiring new businesses, backed by a track record of strong financial control, is sought for this demanding role. Experience in the health care or hotel sector would be a distinct advantage.

The rewards package is negotiable around the indicator shown, and includes a quality car.

Please write to Barrie Whitaker, outlining your experience for this role, enclosing a full CV with current salary details, quoting ref B/1389, at: Executive Search & Selection Price Waterhouse Milton Gate 1 Moor Lane London EC2Y 9PB

DIRECTOR OF AIRCRAFT FINANCING

Bombardier Capital Group, a global finance organization, is seeking a Director of Aircraft Financing within its Aircraft Sales Financing Unit at Downsview, Ontario, Canada.

Your challenge will be to identify, structure and implement innovative financing solutions which will support the sale of commercial aircraft internationally. Flexibility and willingness to travel is required.

The successful candidate will have demonstrated business and financial skills honed in a senior position within the financial services or airline industries. He or she will have a track record in completing complex and cross-border financing or leasing transactions.

Qualifications include a graduate degree in business, and a minimum of five years of directly related experience. A sound knowledge of taxation in G-7 countries is required. Expertise in leasing and computer modeling is mandatory. Effective communication and presentation skills in English is required, with fluency in a second language desirable.

Become part of a winning, dynamic team! Qualified candidates should submit a resume in confidence to:



Bombardier Capital Inc.
Human Resources Department
P.O. Box 5309, Burlington, VT, USA
05402-5309
RE: Director of Aircraft Financing

INTERNAL AUDITOR

London

Excellent Package

This is one of Europe's most prestigious banking groups, with a world-wide network of activities spanning Commercial and Investment banking, Capital Markets, Corporate Finance and Wholesale banking.

As a member of their high profile audit team, your role will be of a consultancy nature and encompass:

- Review of lending, treasury, private banking and asset management activities.
- Documenting and improving internal controls for specific product areas.
- Special investigations within the group.

Travel to European offices on a regular basis to perform reviews. A recently qualified ACA is sought, with strong communication skills and a "team player" attitude. Suitable individuals will currently be in a big 6 firm and have financial services clients, or alternatively will be an internal auditor in another bank.

Please contact Robert Macmillan or Jennifer Ogden on 071-629 4463 (evenings/weekends 081-767 9067).

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FINANCIAL DIRECTOR**Exceptional opportunity for Turkish speaking Finance Professional**

Forming part of one of the UK's foremost multinational FMCG Groups this company is a market leader in assorted International Beverages and are committed to maintaining a programme of continued worldwide expansion.

The emerging Turkish market is central to the long term development of the Group and as a result they are now looking to strengthen their Senior Management team through the appointment of an outstanding, highly commercial Financial Director.

Reporting to the General Manager your remit will be to build and develop a team of professionals capable of maintaining quality financial information as well as working to tight and stringent deadlines. In addition you will be responsible for all financial and management reporting, financial control and strategy implementation. Furthermore you will play a proactive role in the company's long term commercial and financial development. It is essential therefore that the successful applicant meets the following criteria

- First class experience of financial and administrative management.
- Hands on commercial expertise gained within a fast moving multinational environment.
- Fluency in both English and Turkish.
- Educated to degree level, a formal accounting qualification (CIMA/CACA/ACA or equivalent) would be advantageous.
- Confident and articulate.

This is a unique opportunity to significantly impact within a truly progressive and enterprising environment. A competitive salary along with an impressive range of company benefits will be provided and will be commensurate with a position of this standing.

Interested candidates should write in confidence to **Simon Hewitt**, quoting reference number 1921 at Nicholson International, Search and Selection Consultants, Africa House, 64-78 Kingsway, London, WC2B 6AH alternatively fax your details on 071 404 8128 or telephone 071 404 5501 for an initial discussion.

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Salary c. £24,000 p.a. + mileage allowance

(temporary posts - 2 and 1 year contracts)

Salary c. £24,000 p.a. + car + benefits

(permanent posts)

The Investigation Accountants Team is responsible for investigation of Solicitor's books of account.

A decision to strengthen the Team has led to a number of permanent and temporary posts becoming available, offering mature and experienced Accountants an opportunity to hold an important position within a varied and fast-moving environment.

At least part-qualified candidates must have professional audit experience gained within an accounting firm, an enquiring mind and good communication skills. Candidates must be able to work in hostile environments, handle pressure with a calm approach and a sense of humour and be prepared to travel extensively throughout England and Wales, with periodic attendance at head office in Leamington Spa.

In addition to a competitive salary, temporary staff will receive a mileage allowance.

Interested applicants should contact Sarah Bradley, Personnel Assistant, Solicitors Complaints Bureau, Victoria Court, 8 Darnley Place, Leamington Spa, Warwickshire CV32 5AE. Telephone: 0929 822088 for an application form & job description. Completed forms should be returned by 2nd September 1993. Interviews will be held between 9th and 13th September.

The Law Society is striving to be an equal opportunities employer, and welcomes applications from all sections of the community, irrespective of sex, race, colour, sexuality or disability.

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Financial Controller

Our client is a major British Plc with an enviable reputation for innovation backed by commercial success.

We are recruiting a Financial Controller for an autonomous £150 million turnover subsidiary, which is involved in the design and marketing of high technology products.

Reporting to the Managing Director the Financial Controller will head up a sizeable finance function and will be expected to make a major contribution to the performance of the business.

This is a challenging position which will require an energetic individual and offers excellent prospects within an expanding group.

We are seeking an assertive commercial accountant with a 'hands on' approach. Age likely to be in the range 33-45.

In addition, candidates must have the following experience:

- ▲ substantial staff management
- ▲ industry experience gained in either engineering or a project based business
- ▲ financial and management systems development

If you are interested in the above position and satisfy the candidate outline then please send your Curriculum Vitae (with a note of your current salary package) to Jon Anderson ACMA at Martin Ward Anderson, Goswell House, 134 Peasod Street, Windsor, Berkshire SL4 1DS.

REGIONAL CHIEF AUDITOR

c.£55,000 + Banking Benefits and Car

Standard Chartered, one of the largest and most successful of British international banks, operates in more than 50 countries worldwide. The Group Audit department performs an important role in ensuring that the bank has the resources and controls required to develop and manage the business effectively.

This senior post, available due to internal promotion, is one of a small management team reporting direct to the Group Head of Audit and Security. It carries full responsibility for teams

of auditors based in the UK and Europe, and will include international assignments, thereby embracing a broad range of activity both geographically and by product.

The right person will combine genuine leadership skills with a strong background in auditing international banking activities. Regular travel will be involved, and an ability to liaise effectively at the most senior levels is essential. The position demands high standards and in return offers exceptional involvement and prospects.

Please write in confidence to our adviser, Nigel Halsey, at The Halsey Consulting Partnership, 34 Brook Street, Mayfair, London W1Y 1YA. Telephone 071-495 4446.

Standard Chartered

Technology plc
Group Credit Manager
Warrington, Cheshire c.£35,000 Package

Technology plc, a market leading supplier of computer equipment in the UK, has an impressive history of consistent growth through the past two decades. Their recent merger with ICL has increased resources significantly and provides an excellent platform to achieve their ambitious future plans.

As Group Credit Manager, you will assume total responsibility for all aspects of customer finance, from credit vetting to successful collection, managing a team of over 40 staff. Candidates must be able to demonstrate a full understanding of credit

management and control procedures along with the ability to manage and motivate staff to achieve deadlines and targets. Additionally you will need to possess a high degree of maturity coupled with strong interpersonal skills and the self-motivation required to improve performance through the identification and introduction of new initiatives.

Interested applicants should forward a curriculum vitae to **Stephen K Banks ACMA** at **Michael Page Finance**, Clarendon House, 81 Mosley Street, Manchester M2 3LQ. Please quote ref 162156.

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FINANCE DIRECTOR

Manufacturing Northern Home Counties

to £35,000

Targeted for growth this small subsidiary of a successful UK based engineering Group is poised for an exciting period of development. A forward thinking Finance Director is needed to strengthen an executive team committed to moving the business forward at pace and to achieving the, as yet, unfulfilled potential of the business.

Commercially astute and adaptable you will hold a full Professional qualification - probably but not exclusively CIMA - and have a background predominantly within manufacturing industry. Experience within a Group environment would be beneficial as would exposure to the wider range of responsibilities typically demanded of such a position within the smaller size of Company. Above all though applicants must be capable of influencing the strategic direction of the business and providing the financial framework to support growth plans.

An attractive and negotiable remuneration package is available to include salary as indicated, an additional performance related bonus, Company car and other benefits associated with this level of position.

Please apply in writing with full details of age, experience, qualifications and earnings, quoting ref no 0804 to: Paul Blake, ACMA at: Crescent Management Selection, 9 Upper King Street, Leicester, LE1 6XF.

CRESCENT

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Group Finance Director

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Since its inception in July 1991 the Peaco Group has grown dramatically with an acquisition, on average, every six months. The Group has an annual turnover in excess of £10m and has assembled four market leading performance sportswear brands. They have ambitious plans for the future and seek to appoint a Group Finance Director to assist in the profitable development of the business.

Reporting to the Chief Executive, you will assume full responsibility for the financial management of the Group encompassing statutory accounting, monthly reporting, budgetary control and systems development. You will be a key member of a closely knit management team and will be expected to provide strong financial

leadership and have a significant influence on the future of the business.

Candidates are likely to be Chartered Accountants, aged 33-40, who will have operated as Finance Director of an independent company or an autonomous business. In addition you will need to demonstrate a strong track record of achievement combined with the maturity, energy and interpersonal skills necessary to succeed in a dynamic and fast moving business environment.

Interested applicants should forward a curriculum vitae to **Stephen K Banks ACMA** at **Michael Page Finance**, Clarendon House, 81 Mosley Street, Manchester M2 3LQ. Please quote reference 161468.

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Leading City Investment Company seek a Newly Qualified ACA/ACCA/CIMA to complement expanding UNIT TRUST department. Varied role includes monthly reporting, P&L analysis, Unit Trust accounting, systems development, tax computations etc.

If ACCA/CIMA, candidate must have direct Unit Trust/Investment experience and if ACA, similar audit exposure.

Guaranteed career path with excellent future scope for motivated, pro-active accountant. Age: 20s.

Call Accountancy Recruiting on (071) 831-2929

BANKING FINANCE & GENERAL APPOINTMENTS

Investment Analyst

S.E. Asia

City; £25 - £30,000 + Banking Benefits

Our client, a major investment institution in the City, is seeking an Investment Analyst to work closely with the fund managers.

Candidates must be educated to degree level in economics or a related subject and have about 3-4 years experience of investment, ideally in South East Asian markets. Computer literacy is essential and an Institute of Investment Management & Research qualification, or equivalent, would be a benefit.

The successful candidate will be expected to assist the fund managers in most aspects of portfolio management, with emphasis on research and analytical functions.

This is an excellent opportunity for a team orientated individual and offers long term career prospects. Interested candidates should send their full career details to Peter Lockyer Advertising Limited (Ref 5833), 47 London Road, Stanway, Colchester, Essex CO3 5NP.



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Major opportunity to move into front-line position

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Highly attractive package
plus full banking benefits

MAJOR INTERNATIONAL FINANCIAL INSTITUTION

We invite applications from graduates, aged 28-35, with 4-5 years' experience with a significant financial institution or boutique. This experience will have been gained in financial analysis or a support marketing environment on new issues and origination in Pan European and UK markets. A second language will be an advantage. As the selected candidate, you will work on one of the Pan European desks both structuring new issues and marketing effectively by establishing and developing strong client relationships. Essential qualities are a strong track record in a quality organisation, the ability to work under pressure, numeracy and strong communication and interpersonal skills. Highly attractive remuneration package will be especially tailored to attract the best talent in the market plus banking benefits. Applications from Continental Europe, as well as the UK, are particularly welcome. Applications in strict confidence under reference IBNIM24985/FT will be forwarded unopened to our client unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager: CJA

SENIOR ANALYST/ASSOCIATE

INFRASTRUCTURE FINANCE

Salomon Brothers, one of the world's leading international investment houses, is seeking a highly motivated individual to join its London-based infrastructure finance group.

The ideal candidate will have an excellent degree in a quantitative discipline (preferably combined with an MBA or MSc with a financial/economics bias) and some experience in project finance. Applicants should already have a basic understanding of investment banking products acquired either through current employment within the financial services area or through relevant industry experience. A high energy level and proven analytical and interpersonal skills are prerequisites. In addition, a high level of computer literacy, including modelling experience, is essential.

The position offers excellent career prospects, as well as a substantial financial package, including the full range of benefits normally offered by a leading financial institution. Please write with a full CV to Tracy Parnell, Salomon Brothers International Limited, Victoria Plaza, 111 Buckingham Palace Road, London SW1W 0SB.

Salomon Brothers

MEMBER OF SFA

Equity Derivatives

Our client is one of the leading institutions within the derivative products market. Due to the continued expansion of the equity derivatives division, this major European bank wishes to appoint high calibre individuals to strengthen its trading and sales capability. Working within a well established team, suitable candidates should possess the drive and ambition to become market leaders in their specialised field.

OTC Equity Derivatives Trader

The team requires a trader with one or two years derivatives trading experience. The position will involve proprietary trading and quoting to the in-house salesforce and the interbank market. Ideal candidates should have a strong mathematical background together with an in-depth knowledge of the derivatives market. Knowledge of running books on long term options in stocks and indices is an advantage.

Equity Warrants/Convertibles Trader

We also require a highly educated graduate with one to three years trading experience to take a responsible position within a dynamic trading team. Running a proprietary book, the role will encompass day to day management of the trading risk as well as servicing customer requirements. Ideal candidates should have a strong mathematical background followed by direct exposure to warrant and convertibles market making, preferably with knowledge of the European markets.

European Covered Warrants

A unique opportunity within the group for a bright graduate with 2 years experience within the equities markets. The role will involve producing strategic literature for the global salesforce, developing trading ideas, and assisting the salespeople on marketing and presentational work. Candidates should possess a solid background within equity and equity derivatives, be able to produce comprehensive and well written marketing literature, and have the drive and personality to integrate well into a diverse team.

Candidates will be given considerable latitude in the development of their careers with particular emphasis on rapidly developing their responsibilities and profile within the group. These positions offer a competitive salary, bonus and banking benefits.

For further information please contact Tim Sheffield or Patrick Morrissey. Telephone: 071-236 2400, Fax: 071-236 0816 or apply in writing to Sheffield-Haworth Limited, Prince Rupert House, 64 Queen Street, London EC4R 1AD.

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NEW ISSUES

International City organisation with a reputation in Capital Markets seeks a high calibre individual to join its New Issues team. The role will include a combination of prime structuring, negotiating and marketing to a wide range of clients. Candidates should have 2-5 years experience in New Issues and a European language.

For further details please contact Richard Fraser.

SENIOR CREDIT ANALYST

AAA rated European bank seeks a Senior Analyst to join its credit team. Candidates will have at least two years experience sound analytical skills, ideally with clearing bank and international bank background.

ACCOUNT OFFICER - CORPORATE BANKING

First class European bank requires graduate with 2-3 years experience of UK banking. Good credit skills essential, UK merchant or international bank background.

CORPORATE FINANCE EXECUTIVE

Well respected European bank seeks three high calibre individuals. Post held or quality ACAV. Experience within Corporate Finance and/or Investment Banking. Of particular interest are candidates with other European languages - Italian, Scandinavian or Benelux.

TRUSTEE MARKETING

Major UK clearing bank seeks a candidate with sound experience of the trustee industry relating to Unit Trusts and Overseas Funds. Must have ability to market the bank's services and perform client liaison.

For further details please contact Peter Brooker.

GORDON BROWN & ASSOCIATES LTD RECRUITMENT CONSULTANTS

5th Floor, 2 LONDON WALL BUILDINGS, LONDON EC2M 5PP TEL: 071-628 7601 FAX: 071-638 2738



Gordon Brown

UK Debt Derivatives Marketing

Excellent Salary + Banking Benefits + Bonus

We are acting for one of the leading European derivative houses who is seeking to expand its presence within the European market.

On behalf of the derivatives division we now wish to appoint a high calibre marketer with specific knowledge of debt derivatives. The successful candidate, aged 25-29 years, will be responsible for marketing interest rate swaps and options to a UK client base. Ideally, he/she will be a well qualified graduate with possibly two years experience in supporting senior traders and marketers within the debt derivatives team of a major organisation.

This is an outstanding opportunity to join one of the most sophisticated teams in derivatives and the position will offer rapid career progression.

For further information please contact Tim Sheffield or Nigel Huworth. Telephone: 071-236 2400, Fax: 071-236 0816 or apply in writing to Sheffield-Haworth Limited, Prince Rupert House, 64 Queen Street, London EC4R 1AD.

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Consultants in Search and Selection

ESTABLISHED SWEDISH STOCKBROKING PRACTICE

seeks to recruit for its London subsidiary the following senior position:

MANAGER SPECIALIST EQUITY SALES

Responsibilities will include trading Scandinavian equities and advising the Company's Swiss/Italian clientele on investment strategies.

The successful candidate must be fluent in all the Scandinavian languages plus English, German (Swiss), French and Italian. Previous relevant experience in the Scandinavian markets is essential. Competitive remuneration package on offer.

Write Box B1634, Financial Times, One Southwark Bridge, London SE1 9HL

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Alfred Berg is a rapidly expanding, Nordic-based investment bank with offices in Stockholm, Copenhagen, Oslo, Helsinki, London and New York. Alfred Berg's core business areas are securities sales and trading, asset management and corporate finance. The International Fixed Income Strategist position is located in Copenhagen, where 68 of the Alfred Berg Group's 340 employees are located.

INTERNATIONAL
FIXED INCOME STRATEGIST

THE JOB:

The chosen candidate will be responsible for an ongoing evaluation of relative value in the world's 10-12 most important government bond markets. Background for this evaluation should be a critical analysis of national and international macroeconomic and political economic trends and their likely effects on interest rates, yield curve and currency movements. Your ongoing research will be published on a weekly basis. You will participate in customer meetings as support for the Firm's institutional sales effort and be responsible for

the preparation of occasional (theme-based) research seminars for the Firm's institutional clients. The relative placement of this position within the Firm's hierarchy will be determined by the successful candidate's qualifications and achievements to date. For the right person, this is an excellent career opportunity.

QUALIFICATIONS:

The Firm seeks a high calibre economics graduate, with several years relevant market experience. This is likely to have been gained working either with a top-tier

stockbroker or asset management company. Strong analytical skills are essential, combined with the ability to communicate ideas effectively. In addition to fluent English, a working knowledge of Scandinavian languages would be ideal.

INFORMATION AND APPLICATION:

For supplementary information please telephone +45 31 85 37 37. Application should be applied to Mercuri Urval A/S, Strandgade 56, DK-1401 Copenhagen K or telefaxed +45 31 85 23 95, marked "Alfred Berg", before 27 August 1993.

Our client will not be informed of the identity of the applicant without prior consent. Interviews will take place at one of Mercuri Urval's international offices at your convenience.

Mercuri Urval

Eastern Europe
Corporate Finance/M&A
Competitive Package

Our client, a leading US investment bank has an outstanding international corporate finance reputation and now seeks an Eastern European transaction specialist to join its dynamic expanding team in order to enhance its impressive track record in the emerging markets.

The successful candidate will:

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COMMODITIES AND AGRICULTURE

CIS offered 50% export cut in aluminium talks

By Kenneth Gooding, Mining Correspondent

THE COMMONWEALTH of Independent States tentatively offered to cut its annual aluminium exports to the European Community to about 300,000 tonnes, nearly 50 per cent below the 1992 level of 582,000 tonnes, during recent contacts with the EC.

In contrast, European aluminium producers suggest imports should be restricted to 80,000 tonnes - which they claim was the "normal" level before CIS exports began to surge in 1990. The European Commission appears to favour a limit of 150,000 tonnes which was the annual average for the past three years.

This was a crucial issue when the commission recently made determined attempts to persuade the CIS industry voluntarily to restrain exports. The commission was armed with a report of its investigation into the impact of the CIS exports that came to the conclusion that "serious damage" was being done to the EC aluminium industry. It also suggested restrictions should be imposed on CIS aluminium

imports to the community. Having failed to reach a quick understanding with the CIS producers, the commission on August 7 said it would limit imports of CIS aluminium to the end of November to 60,000 tonnes. That would give the European industry some breathing space while further negotiations took place.

The restrictions have been widely condemned, mainly because aluminium is a global commodity and the CIS material will simply flow to other markets and be replaced in the EC by metal from producers outside the CIS.

The commission's report warned that there were drawbacks to the EC imposing unilateral restrictions. It said such action would "unquestionably draw a particularly negative reaction" from the CIS.

It also suggested that the effect on the London Metal Exchange, which sets the world price of aluminium, would be "unclear but limited and not immediate".

Also, much of the CIS aluminium was slightly below the quality required by the LME and was therefore sold at a discount to the world price. But it could be blended with higher-

grade material and was then suitable for most purposes. The report pointed out that the imposition of restrictions would give a competitive advantage to producers outside the community who still had unlimited access to this lower-priced metal.

The report also concluded that limiting imports of CIS aluminium to the EC "only addresses one of the causes of the aluminium industry's problems. A full solution would require that the CIS has more disciplined export policies in order to restore the world balance of supply and demand."

Although widely criticised, the EC's action does seem to be having an effect. Russia's foreign trade ministry announced on Wednesday that it would cut the number of organisations permitted to export metals from 132 to five and the number allowed to export oil from 114 to nine. Ms Tatiana Aristarkhova, adviser to Mr Sergei Glazov, the foreign trade minister, said: "We had big losses of foreign revenue in the past because of a number of incompetent exporters. This provoked all these anti-dumping campaigns against Russia."

Mexican oil giant profits from private tuition

Commercial contractors are showing Pemex how to cut costs, writes Damian Fraser

OFF THE south-east coast of Mexico in the Sound of Campeche a group of foreign and private Mexican oil companies is drilling for oil. The companies man their own rigs, lease or own their equipment and operate independently of the company to which they are contracted. Petroleos Mexicanos (Pemex), the country's state oil corporation.

In the nearest on-shore town, Ciudad del Carmen, property prices have soared as new residents have looked for homes. Local entrepreneurs have set up video bars and a Kentucky Fried Chicken outlet to cash in on the boom; and rich, rowdy foreign oil workers have upset local sensibilities.

After being closed to foreign oil drillers since the early 1970s, Mexico is now opening up. Private - and thus foreign - companies still cannot explore for oil and take a cut of what they find, but they are doing drilling work for Pemex on a contract or turnkey basis. Of about 60 wells in the Bay of Campeche, 36 are being drilled by private oil companies, at a cost to Pemex of between \$300m and \$400m.

While the government is unlikely before next year's presidential election to modify Mexico's nationalist constitution to permit foreign oil companies to explore for oil, some

further relaxation is expected eventually.

"This is not the end of the trend toward opening," says Mr Rafael Quijano, an expert on Pemex at the Petroleum Finance Corporation in Washington. "Quite the contrary; it is the beginning."

Pemex recently allowed a

old monopoly of the distribution of oil in Mexico.

The partial opening of the sector to foreign contractors has already had an effect on how Pemex does business. Thanks to their greater nimbleness and efficiency, private contractors take half as much time to drill a well as the state

generally American, Mexican or joint-ventures between the two. So far of the 36 wells contracted out, most have been to four companies - Triton International of Houston, Faja de Oro and Proteja, both Mexican, but contracting work out to foreigners, and a joint Mexican-US owned company, EPN-Souat.

They operate on a turnkey basis, drilling a given depth for a specified sum before handing over the well to Pemex, which brings it into production, and takes all financial risk in case drilling proves more difficult than expected. Generally they make do without the large numbers of cooks, waiters and other excess staff seen on the Pemex wells and have an average basic crew of 32 to 35, compared with 42 at Pemex operations.

Apart from personnel, the main difference between the private companies and Pemex is in logistical and managerial expertise, rather than technology. One oil man in Campeche explains: "Pemex's main problem is not that they don't have good people in the field. It's the ponderous organisation above that. They have to go to six or eight people to make a decision, whereas I can make one there and then."

Mr Marcos thoroughly agrees. "Before, we had to coordinate people in drilling with

people in procurement with people in transportation. You can never structure yourself in a company this size so that such co-ordination is efficient." The lack of co-ordination caused delays in drilling, pushing up Pemex's costs.

So convinced is the company of the benefits of contracting out that Mr Marcos claims it is out there ahead of most international oil companies in the proportion of drilling work it gives out on a turnkey basis. Pemex will continue to drill a few of its own wells, he says, but only to keep abreast of technological developments.

The main limit on such contract work is Pemex's own budget rather than lack of oil to be taken out. The Sound of Campeche is rich in oil, producing 1.9m barrels a day of Mexico total of 2.67m b/d last year. Its extraction costs are among the lowest in the world, and were there were more funds, further investment in exploration and drilling would be justified, says Mr Marcos.

But although the government tells Pemex to operate as a commercial company, it sets its budget according to political criteria. The company is under instructions to meet growing demand for oil and maintain exports at current levels of about 1.57m b/d, rather than to maximise profits.

Ukrainian grain estimate raised

UKRAINIAN Agriculture Minister, Mr Yuri Karasyk, expects a 1993 grain harvest of more than 50m tonnes, the Ukrainian news agency said yesterday, reports Reuter from Kiev.

An earlier official forecast had put the harvest at up to 44m tonnes, compared with last year's 39m-40m tonnes.

Ukrinform said Mr Karasyk's forecast was made on Wednesday to a meeting of farm chiefs in Kiev.

The minister estimated general grain yields at 3.5 tonnes a hectare, with wheat yields rising to more than four tonnes a hectare. Given such a harvest, he said, state orders would total between 15m and 17m

tonnes, well above requirements. "We have every possibility not only of eliminating purchases of foreign grain, but even of selling it," he said. "This applies particularly to wheat. There is even a possibility of exporting seed."

Ukraine last year imported small amounts of grain, mainly for animal feed.

The Itar-Tass news agency quoted Ukraine's ambassador in Moscow, Mr Vladimir Kryzhanovskiy, as saying the country had such a good grain harvest this year that it was considering the possibility of paying off its debt for Russian energy supplies with 5m tonnes of grain exports.

Kiev owes Moscow about

\$1bn for energy supplies.

As of August 9, the Russian harvest of grains and pulses (excluding maize) was behind last year, slowed by a lack of fuel and machinery, according to a US agricultural attaché, reports Reuter from Washington.

However, yields have shown a significant improvement over last season, the attaché wrote in a field report filed from Moscow. Grain crops had been cut and threshed on about half as much area compared with that time last year.

Sales to state resources were slower than last year, hindered by disagreements between farmers and the government over prices, the report said.

NZ dairy farmers face disappointing market returns

By Terry Hall in Wellington

A SHARP fall in the prices on some international dairy markets in recent weeks has cast doubt on the New Zealand Dairy Board's ability to meet this season's target payout to farmers.

In May Mr Dryden Spring, the board's chairman, told dairy farmers, in his traditional pre-season message, that a payout of NZ\$5.50 (22) per kilogram of milk fat was likely in the year to June 30, 1994. Mr Spring's forecasts are usually cautious, being designed to help farmers plan for the coming year, but this time he appears to have been over-optimistic, a board official indicated yesterday.

The May statement was made at a time when the industry was in a buoyant mood following last season's \$5.65 payout, to which was added various dairy company payments of up to NZ\$1 per

kilogram, giving some farmers record returns.

But the market situation has not lived up to expectations. The price for butter has stayed in the doldrums, and there has been a sharp weakening in the value of whole milk powder.

Much of the present problem centres on currency difficulties, which are inhibiting trade in most dairy commodities except cheese, the official said. Of particular concern is the fall in European currencies against the US dollar, in which much of the world's dairy trade is carried out, and this situation has been worsened by the recent strong rise in the value of the New Zealand dollar against the US currency.

The board has warned farmers that the high level of optimism in the New Zealand industry, which is leading to high prices for both stock and farmland, does not take account of what it hopes will be short term pressures in the



NZ dairy men look like losing on this year's roundabouts what they gained on last year's swings

international market.

The official said it was unlikely that there would be an early lift in butter prices and there were question marks over the price for milk powder, of which New Zealand hopes to sell 320,000 tonnes abroad this season, twice the amount produced just four years ago. He said that demand for New Zealand cheese was holding up well, adding: "It really is the glamour product of the

moment. World demand for cheese - especially the constant type New Zealand produces - is growing strongly."

He pointed out that there were few convenience foods that did not rely on cheese to some extent - whether they be pizzas, McDonald's cheeseburgers or Mexican or pasta dishes. In addition there was a strong demand from manufacturers of TV dinners and the like.

The official said that the

effects of the sharp drop in international butter and milk powder prices would have been much more severe a decade ago, when New Zealand produced a relatively narrow range of commodities in bulk form. Now about 70 per cent of the country's dairy products were exported in consumer-ready form, he said, which helped to "soften the blow" of ups and downs in the international market.

Philippines mining incentives 'not enough'

A PACKAGE of mining incentives recommended for approval by Philippines president Fidel Ramos were welcome but not enough, a Chamber of Mines official said yesterday, reports Reuter from Manila.

He said that the easing of a constitutional rule limiting foreign investors to 40 per cent ownership in mining ventures would help, as would early approval by congress of a min-

ing code with measures designed to attract foreign investment.

The new mining code should give foreign investors "more elbow room" to acquire 100 per cent ownership in mining ventures for a certain number of years, he added.

But the official noted that mining companies had described as short-sighted the Finance Department's refusal to reduce value added tax pay-

ments by mining companies. "If the rate is reduced to 3 per cent, we can use the money to expand and create more jobs. That will bring in more taxes later," he explained.

The Bureau of Mines should also be strengthened and should not remain within the Environment Department where it is finding it difficult to help the mining industry, he added.

WORLD COMMODITIES PRICES

MARKET REPORT

A fluctuating London Metal Exchange COPPER market recovered losses in the afternoon and the three months delivery price closed at \$1,900.50 a tonne, up \$2 on the day. An early fall below \$1,900 triggered a bout of speculative selling that sent the price to \$1,890. But buyers were encouraged by continuing nearby technical lightness, which held the cash/three months premium at just above \$30 a tonne. The ZINC market firmed by \$9.50 over the day to end after hours trading at \$893.50 a tonne. Traders saw no news behind the rise and said that after several days testing, and

holding, support around the \$880-a-tonne mark, the market would now probably test the top end of its \$880-\$900 trading range. NICKEL traced a correction to recent lows and three months bounced to \$4,740 before ending at \$4,725 a tonne, up \$55. At the London Commodity Exchange robust COFFEE futures finished mostly lower with light profit-taking emerging after the market's recent rapid rise. The November position closed at \$1,212 a tonne, down \$3 on the day and dealers said there was scope for further falls with the market still overbought. Compiled from Reuters

London Markets

SPOT MARKETS			
Grades of bar (base FOB/UK)			
Dubai	\$14.89-14.94	+0.04	
Brent Blend (Oct)	\$16.22-16.24	+0.15	
Brent Blend (Oct)	\$16.22-16.24	+0.15	
WTI (1st) mid	\$16.10-16.12	+0.20	
Oil products			
NVE prompt delivery per tonne CIF			
Premium Gasoline	\$191.19	-1	
Gas Oil	\$189.14	+0.8	
Heavy Fuel Oil	\$91.48		
Naphtha	\$169.12	-0.5	
Other			
Gold (per troy oz)	\$373.00	-0.20	
Silver (per troy oz)	\$472.00	+1.00	
Platinum (per troy oz)	\$943.50	+5.50	
Palladium (per troy oz)	\$1,338.50	+0.25	
Copper (US Producer)			
Oct	\$1.900	-0.50	
Nov	\$1.900	-0.50	
Dec	\$1.900	-0.50	
Jan	\$1.900	-0.50	
Feb	\$1.900	-0.50	
Mar	\$1.900	-0.50	
Apr	\$1.900	-0.50	
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Shares easier after turbulent session

By Terry Byland,
UK Stock Market Editor

AN EXPECTED bout of profit-taking in the London stock market was overwhelmed yesterday by a series of unforeseen developments elsewhere in the global markets arena. A huge increase in the US trade deficit in June, a bombing raid on Iraq by American aircraft, and a warning on the economic outlook from Hang Seng Bank, Hong Kong subsidiary of HSBC, prompted a turbulent session for share prices. But all ended well, with the FT-SE 100 index rallying to close a net 8.1 off at 3,065.5.

London market strategists professed themselves satisfied with the final picture, pointing out that the fall on the Footsie was of little significance when measured against the upsurge of the past month.

Equities opened higher, largely on the back of US buying orders laid down overnight by Wall Street investors celebrating the record close on the Dow Industrial Average.

Within half an hour of the official opening, the FT-SE index was 15.6 points ahead at a new trading peak of 3,099.2 and traders were hoping to see the 3,100 mark challenged before the end of the day.

In the banking sector, Barclays rose sharply on the announcement that the bank has appointed the new chief

executive for which it has been seeking.

However, neither UK government bonds nor stock index futures would give support and the market began to soften. The report from the Hang Seng Bank, expressing some caution on the outlook for global economies, cast a cloud over the London market's newly-inspired confidence. Share prices turned off smartly and market

traders began to take some of the large paper profits already chalked up in the equity trading account which opened on Monday.

The hardest blow, however, came just before Wall Street opened, with the news that the US trade deficit had jumped by about 44 per cent in June. The Footsie quickly dropped to 3,054.8, a turnaround of 33 points since the early part of

the trading session.

London feared the worst, but was proved wrong when the US bond market held up relatively well and the Dow Industrial Average also held steady to show a gain of 3.06 in UK trading hours. The Footsie staged a good recovery to close on a buoyant note in good turnover, although restrained by substantial falls in HSBC and similarly far Eastern-oriented

entitled stocks.

Seag volume remained high at 836.9m shares, if slightly below Wednesday's 887.1m; retail, or customer business jumped to 21.92bn on Wednesday as overseas investors bought heavily into UK equities.

Traders said that foreign investors had held back yesterday while UK funds had switched their attention to the second line stocks. Non-Footsie shares made up around 62 per cent of the Seag total, although the FT-SE Mid 250 Index dipped 8.9 to 3,486.0.

The international blue chip stocks had a difficult session as the US dollar came under pressure from finding support from the Federal Reserve. The drug sector held firm but saw little evidence of the renewed support from the US which has stimulated the sector's rally from its heavy setback.

Domestic, interest-related, issues moved erratically as a weaker session in the UK bond market challenged some of the optimism for base rate cuts.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume	Value	Change	Stock	Volume	Value	Change	Stock	Volume	Value	Change
ASDA Group	7,700	2.00	-0.01	Deputy	1,000	1.00	0.00	MS Grinders	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
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ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00
ASDA Group	7,700	2.00	-0.01	De La Harz	1,000	1.00	0.00	MSG	1,000	1.00	0.00

INVESTMENT TRUSTS - Cont[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Trust Name	Price	Change	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594</
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FOREIGN EXCHANGES

Yen plummets on intervention

THE YEN's powerful rise against the dollar was dramatically reversed at the start of US trading yesterday after the Federal Reserve intervened four times in support of its own currency, writes James Blyth.

The Fed's intervention on dollars came after a long period in which dealers had been led to believe that President Clinton's administration was indifferent to the decline in the exchange rate, preferring to see a fall in the Japanese trade surplus.

Both the timing and the intensity of the intervention took the market completely by surprise and triggered one of the sharpest moves seen in an exchange rate for a long time.

Between 1500 and 1700 London time, the dollar soared from 101.70 to 104.30, a drop of nearly 30 pips in value as market players frantically squared long yen positions.

As London trading closed, the dollar's rise appeared to be showing no sign of levelling off. Dealers said that Fed intervention was well-timed and extremely aggressive.

Mr Lawrence Summers, one of the US Treasury Undersecretaries, said yesterday that

the recent rapid rise of the yen was causing concern because exchange rate volatility by itself could hamper world trade.

This remark was seen by one analyst as an important new indication that the US does not want to see any further rise in the currency.

However, other analysts said that the Fed's intervention may mask deeper intent. Mr Steve Hannan, head of research at IBJ International in London, said that the Fed may have started to get concerned by its inflationary consequences of a weak dollar.

Alternatively, a deal may have been done behind the scenes by which the Japanese will give the US greater access to its markets in return for currency support.

The results of Thursday's cabinet meeting indicate that Japan may be about to give way to US demands on a number of issues. A fiscal stimulus

package is quite likely this autumn and so is a cut in the discount rate, said one analyst.

European trading was dominated by another sharp rise in the value of the franc, which rose more than 2 centimes on the day to close at FF3.495 against the D-Mark.

Another cut in the Bank of France's overnight lending rate, this time by 1/4 per cent, may have been one cause for the franc's rise.

But several bank dealers spoke of US hedge funds buying back the franc in recent days in an attempt to square their positions in the wake of recent speculation. One analyst spoke of having seen "reasonably-sized" flows from US hedge funds yesterday.

Other currencies also profited on a day of D-Mark weakness. The dollar was nearly 1/4 pips higher at DM1.6955. Sterling closed 1/4 pips down at DM2.5400.

EURO CURRENCY UNIT RATES

	Est. Central Rate	Current Markets Against U.S. \$100	% Change from Central Rate	% Spread in Week's Trade	Percentage Difference from Central
Italian Lira	2,036.27	2,167.78	-1.55	0.73	-0.01
Dutch Guilder	3.60	3.60	0.00	0.00	0.00
French Franc	6.55	6.55	0.00	0.00	0.00
German Mark	1.93	1.93	0.00	0.00	0.00
British Pound	1.63	1.63	0.00	0.00	0.00
Spanish Peseta	166.64	166.64	0.00	0.00	0.00
Portuguese Escudo	200.48	200.48	0.00	0.00	0.00
Swiss Franc	2.00	2.00	0.00	0.00	0.00
Japanese Yen	360.00	360.00	0.00	0.00	0.00
South Korean Won	100.00	100.00	0.00	0.00	0.00
Chinese Yuan	100.00	100.00	0.00	0.00	0.00
Indonesian Rupiah	100.00	100.00	0.00	0.00	0.00
Singapore Dollar	100.00	100.00	0.00	0.00	0.00
Malaysian Ringgit	100.00	100.00	0.00	0.00	0.00
Philippine Peso	100.00	100.00	0.00	0.00	0.00
Thai Baht	100.00	100.00	0.00	0.00	0.00
Myanmar Kyat	100.00	100.00	0.00	0.00	0.00
Laos Kip	100.00	100.00	0.00	0.00	0.00
Cambodia Riel	100.00	100.00	0.00	0.00	0.00
Vietnam Dong	100.00	100.00	0.00	0.00	0.00
North Vietnam Dong	100.00	100.00	0.00	0.00	0.00
South Vietnam Dong	100.00	100.00	0.00	0.00	0.00
East German Mark	100.00	100.00	0.00	0.00	0.00
West German Mark	100.00	100.00	0.00	0.00	0.00
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CANADA

Sales Stock	High	Low	Close	Drng	Sales Stock	High	Low	Close	Drng	Sales Stock	High	Low	Close	Drng	Sales Stock	High	Low	Close	Drng																
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4 pm close Aug 19					4 pm close Aug 19					4 pm close Aug 19					4 pm close Aug 19																				
Quebec in line with marked 5					Quebec in line with marked 5					Quebec in line with marked 5					Quebec in line with marked 5																				
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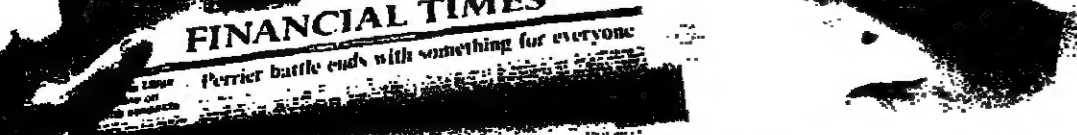
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NASDAQ NATIONAL MARKET[illegible]

4 pm close August 19

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FINANCIAL TIMES
 Perrier battle ends with something for everyone

1. The first step in the process is to identify the problem or issue that needs to be addressed. This involves gathering information and understanding the context of the problem.

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AMERICA

Dow struggles as data leave impetus lacking

Wall Street

US STOCK markets struggled to build on Wednesday's record-breaking gains as unexpectedly bad trade figures and profit-taking left prices mixed across the board, writes Patrick Harrington in New York.

At 1 pm, the Dow Jones Industrial Average was down 0.56 at 3,604.30. The more broadly based Standard & Poor's 500 was 0.1 firmer at 456.05, while the Amex composite was up 1.62 at 448.25, and the Nasdaq composite down 2.51 at 732.29. Trading volume on the NYSE was 176m shares by 1 pm.

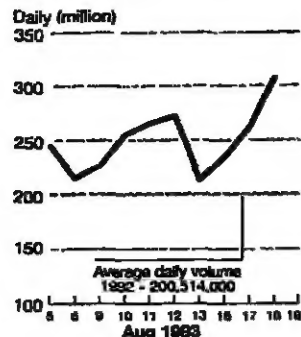
Trading was more subdued at the opening after the previous day's active session. Profit-

SAO PAULO was 6 per cent higher at midsession in reaction to a rating of Telebras and congress approval of President Collor's policy on salaries, which may help to control inflation in Brazil. The Bovespa index gained 4,681.17 at 94,215.93 in turnover of some Cr\$6bn.

taking led to early declines as the markets digested midweek gains, but sentiment remained unchanged.

The latest economic news, however, was not helpful. The widening in the June trade deficit from \$2.4bn to \$3.1bn - the largest shortfall since October 1987 - was worrying, because the increase in the def-

NYSE volume



icit was primarily the result of a sharp fall in exports.

The decline in export sales led analysts to warn that the second quarter gross domestic product figures would probably have to be revised downward. Stocks probably would have fallen further but for the continued strength in bond prices.

The benchmark 30-year bond rose another quarter of a point yesterday morning, pushing the yield down to 6.234 per cent, the lowest point in the issue's 16-year history. Leading pharmaceutical and consumer stocks were in demand for a second consecutive day. Merck rose 3/4 to \$33.75. Schering-Plough added 3/4 to \$63. Johnson & Johnson up 3/4 to \$40. Bristol-Myers Squibb added 3/4 to \$37.

Among consumer stocks, Philip Morris added 3/4 to

\$50. Coca-Cola rose 3/4 to \$43, and PepsiCo rose 3/4 to \$39. Motor and airline stocks, which ran into selling earlier this week, rebounded. General Motors climbed 1/4 to \$45.75. Ford added 3/4 to \$50.75, and Chrysler rose 3/4 to \$42.50. UAL added 1/4 to \$146. Delta added 3/4 to \$52.50. AMR, parent of American Airlines, put on 3/4 to \$65.

AT&T, which announced the \$12bn acquisition of McCaw Cellular at the start of the week, was hit hard by profit-taking, falling \$2 to \$57.75 in volume of 3m shares. McCaw, traded on the Nasdaq market, also suffered, falling 1/4 to \$57.

General Electric added 3/4 to \$67 in busy trading on reports that the company will cut 4,000 workers from its Ohio jet division as part of an overall plan for workforce reduction.

Canada

EUROPEAN concerns with the Middle East and gold cut little in Toronto where the gold and silver index opened a shade higher at 9,279, but then subsided by around 100 points by midsession.

The TSE 300 composite index was up 1.36 at 4,070.67 at noon, gold losses balanced by gains in the oil and gas, and industrial products sectors. Volume had fallen by that stage from 31.5m shares to 24.4m in turnover of C\$287m. Declines led advances by 290 to 278 with 298 unchanged.

EUROPE

Bourses more pensive after recent gains

BOURSES faltered a little yesterday after an early attempt at flying higher, writes Our Markets Staff.

They had cause. News of US warplanes bombing northern Iraq sent bullion prices higher, and German M3 grew by 7.5 per cent in July after 7 per cent in June. Some investors were also worried that laggard stocks and sectors had been prominent in recent gains, indicating that a correction might be around the corner.

However, strategists seemed inclined to stay on board. Mr Marcus Grubb, at Salomon Brothers in London, said that on average, most European bourses were trading on yield ratios (bond yields to dividend yields) which are cheap by a factor of 15 to 40 per cent compared with ten year averages. The cheapest markets, he said, were Hong Kong and France.

FRANKFURT inched to another 1993 closing high, the DAX index rising 3.25 to 1,938.98 after an intraday 1,946.39. The M3 figures, coming after hours, seemed mostly built into brokers' calculations; the index indicated DAX eased only 1.14 to 1,937.84 in the post-

turnover. Turnover eased from DM10.4bn to DM10.2bn. Engleers, steels and carmakers, in the van of this year's gains, mostly showed falls although BMW, an underperformer for much of this year, rose DM5 to DM574. Utilities, also underperformers, rose too, RWE by DM6.30 to DM426.50 and Viag by DM8 to DM458.50.

Schering, which has changed categories this month, rose another DM36 to DM997 on prospects for its Betaseron drug, up by DM167, or 20 per cent this month against a 7.5 per cent DAX index gain.

PARIS fell back by 1 per cent as investors ignored a further slight easing in the 24 hour lending rate. The CAC 40 index, however, managed a last minute improvement from the day's low of 2,131 to end down 21.55 at 2,139.20.

Turnover was some FFR3.8bn. Alcatel Alsthom remained at the top of the most active even although the South Korean authorities delayed further an announcement on the award of the railway contract. The shares added FFR5 to FFR734 in heavy

FT-SE Actuaries Share Indices

August 19	August 18	August 17	August 16	August 15	August 14
FT-SE 100	1302.80	1294.30	1276.32	1276.24	1280.40
FT-SE 250	1287.63	1284.15	1269.35	1264.67	1269.51

Source: Reuters (0800) 0800 0800. Closing: 1993 - 1271.00, 1992 - 1265.17, 1991 - 1262.00, 1990 - 1265.00, 1989 - 1265.00.

turnover of FFR468m.

Lafarge Coppee slipped FFR17.20 to FFR439 in reaction, analysts said, to a media report that it may bid for a Belgian cement group. The company denied the story later.

AMSTERDAM encountered some profit-taking although Elsevier showed a 4 per cent gain, the shares rising F15.60 to F114.00, a new year's high, on reports that it may acquire the Official Airline Guides of the US, formerly owned by Maxwell Communications.

The CBS Tendency index fell 0.3 to 126.5. The strength in Elsevier helped other sector stocks with VNU up F11.80 to F114.00, another year's high, and Wolters Kluwer gaining F11.90 to F196.

eral index rising another 1.50 to 291.96. Blue chips were mixed across the board. Telefonica standing out with a gain of Ptas5 to Ptas1,615 after the AT&T bid for McCaw Cellular in the US. LISBON climbed to a new 1993 high, its index rising 0.9 per cent to 1,109.01, as foreign investors bought blue chip stocks.

COPENHAGEN's CFX index continued to pull ahead, gaining 2.74 to a new 1993 high of 100.73. Banks led the gains, Den Danske bank rising DKK17 to DKK32 on satisfaction with its half year results.

STOCKHOLM fell back, the Affarsvarlden general index losing 12.9 to 1,326 in heavy turnover of SKr2.9bn. Reaction to Ericsson's half year results saw the B recover from an intraday low of SKr397 to SKr376, off SKr1.

OSLO lost 2.2 per cent on profit-taking, leaving the composite index down 12.85 at 573.52 in turnover of NKr781m.

ISTANBUL gained 4.5 per cent as investors returned to equities after a further fall in interest rates. The composite index put on 466.8 to 10,518 in turnover of some TL1,200bn.

China worries fail to halt Hong Kong's rise

Simon Davies discusses the issues which have helped drive the equity market higher

Hong Kong equities are enjoying an impressive performance this month. The Hang Seng index registered its fifth consecutive record high, yesterday, on expectations of strong corporate results from the major index stocks.

The index closed yesterday at 7,605.26, up 38 per cent so far this year; most brokers now expect it to break through the 8,000 barrier by the year-end. After hours in London, the index gained a further 21 points.

While confidence took a slight blow yesterday, as Hang Seng Bank, a subsidiary of HSBC, announced disappointing results and warned of difficult economic conditions during the next 12 months, brokers do not expect this to have a negative effect on sentiment. Hang Seng Bank lost 50 cents to HK\$91.

Gone are the worries over the impact of the Chinese austerity measures announced early last month, and concern regarding the continuing Anglo-Chinese stand-off over the political blueprint of Mr Chris Patten, the governor of Hong Kong, and back is a flood of international money eager to find reasonably valued stock markets which have expectations of high corporate earnings growth.

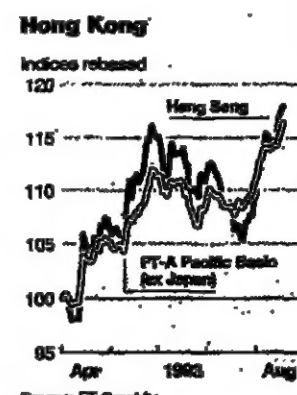
"Over the next four months, I think the index will reach 8,200," says Mr Adrian Faure, research director at Baring Securities. "It got to 7,500 because of strong corporate earnings, which will underpin this market. It will hit 8,200 on announcements on the airport project, the container terminal scheme and political agreement."

Investors have reassured themselves that the direct

impact of a slowdown in the Chinese economy on listed companies' earnings will be minimal, since Chinese investments will account for below 3 per cent of current year earnings for constituent stocks of the Hang Seng index.

They are confident now that, regardless of the performance of China's economy, the reform programme will continue unimpeded under the patronage of Mr Zhu Rongji, vice-premier in charge of the economy.

Based on the forecasts of broker S.G. Warburg, the index is currently on a 1993 p/e ratio of 13.1. This remains the cheapest in south-east Asia, compared with 15.4 for Thailand's SET index and 19 for Singapore's Straits Times Industrial index. In addition, although the pace of corporate earnings growth may be slowing, it



Source: FT Graphics

ness have given the go-ahead for two key projects which are part of Hong Kong's HK\$16bn airport plan.

This has heightened expectations that China will approve financing for the airport. There remain a number of concerns to suggest that the equity market will retain its historical risk rating, leaving it as the cheapest in p/e terms of the Asian markets.

Rumours of the death of the Chinese patriarch, Mr Deng Xiaoping, have consistently shocked investors over the past five years. The rising profile of the pro-reformist Mr Zhu should dampen fears of a post-Deng political backlash, but the uncertainty resulting from Mr Deng's demise would strike a blow to confidence.

Hong Kong has also become more sensitive to capital move-

ments from China. Baring Securities estimates that HK\$50bn in Chinese capital has flowed into the Hong Kong property market in the last 18 months.

The austerity programme in China has focused on retreating in speculative funds within the country; if this broadened into enforced repatriation of "speculative" capital in Hong Kong, the impact would be devastating. However, such a move would be difficult to enforce.

Finally, Mr Patten has stated that in his opening address to the legislative council on October 6 he wants to give some indication of progress in the Sino-British negotiations on his political blue print for Hong Kong. An aggressive stance would undoubtedly provoke anger from China and fear from Hong Kong.

ASIA PACIFIC

New fistful of 1993 highs around the Pacific Rim

Tokyo

INVESTORS were discouraged by a lack of concrete measures to support Japan's economy at the first meeting of the new government's economic affairs ministers, writes Emiko Terazono in Tokyo.

The Nikkei average lost a further 85.71 to 20,887.47, having moved between 20,603.56 and 20,903.09. Foreign investors continued to be leading buyers, but the index faltered on selling by financial institutions. Volume declined to 250m shares from 288m. Falls outnumbered rises by 716 to 243, with 184 issues unchanged. The Topix index of all first section stocks slipped 11.10 to 1,664.78, but in London the ISE/Nikkei 50 index edged up 1.10 to 1,271.80.

The ministers agreed on an economic package which would pass the benefits of a higher yen to consumers, and on deregulation of industries and the distribution system by the end of next month. Investors felt left out.

However, in spite of official denials of the possibility of an official discount rate cut, traders said speculation on monetary easing was still strong. Mr Robert Feldman, an economist at Salomon Brothers, said the BOJ was likely to make a cut of 50 basis points by the end of September. But he added that the cut was already discounted in share prices and it would take 75 to 100 basis points to make a large impact.

At corporate level, Cosmo

Securities, the second tier broker which will be bailed out by Daiwa Bank, ended at Y496, down from Friday's close of Y498. Ricoh, the most active issuer of the day, forged ahead Y28 to Y789 on the company's development of technology to make paper-recycling copiers.

NEC retreated Y22 to Y988, falling below the Y1,000 level for the first time since August 9. The stock had risen on hopes that the government would pump in funds to improve the country's telecommunications infrastructure; yesterday's lack of discussion was a disappointment.

In Osaka, the OSE average shed 117.54 to 2,555.93 in volume of 131.5m shares, the highest since March 10.

Roundup

THE REGION produced another fistful of record highs, although London reactions to the Hang Seng Bank results in Hong Kong took some of the edge off the day.

NEW ZEALAND, which has the unusual distinction of trading 48 per cent below its all-time peak set in 1987, made up more ground as the NZSE-40 capital index advanced 61.94, or 3.2 per cent, to 2,019.8.

Turnover was described as "absolutely extraordinary" as it rocketed to NZ\$142m from Wednesday's estimated and extremely heavy NZ\$90m. Carter Holt Harvey and Fletcher Challenge led the way, climbing 30 cents to NZ\$3.99 and another 36 cents

to NZ\$3.83 after Fletcher's surprising result on Wednesday, which triggered a rerating of both forestry stocks.

AUSTRIA broke through the 1,900 barrier as buyers snapped up industrial issues, the All Ordinaries index closing 31.6 higher at another post-1987 crash peak of 1,926.2.

Turnover was heavy at A\$630.9m. Brokers said Wall Street's record high and improving bullion prices also provided momentum, the gold index rising 61.6 to 2,218.0. CRA, in base metals and gold, jumped 42 cents to A\$15.28.

KUALA LUMPUR achieved another high after a late surge in steel and ship stocks, leading Tenaga Nasional and Telekom Malaysia. The KLE composite index ended 7.80 stronger at 798.82 as volume rose from 312.5m to 413.1m shares.

Malayan Banking firmed 50 cents to 15.60 ringgit after its impressive annual results. Tenaga and Telekom rose 20 cents each to M\$11 and M\$16.10.

SEOUL finally wiped out the remaining losses following last week's ban on trading under false or borrowed names, the composite index rising 24.78 to 737.57 in turnover of Won\$600m. BOMBAY's BSE 30-share index moved ahead a further 85.35 to 2,700.55 in trade restricted to one hour to enable delivery of cash shares.

SINGAPORE tried to extend its record-breaking run but profit-taking came in after an intraday all-time high of 1,968.55, and the Straits Times Industrial index ended a net 2.62 down at 1,948.78.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited
In conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY AUGUST 18 1993								TUESDAY AUGUST 17 1993								DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DAX Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DAX Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)			
Australia (69)	144.12	+0.5	141.27	92.47	126.07	141.87	+0.2	3.54	143.39	142.87	91.95	126.43	141.57	144.83	117.29	133.27			
Austria (17)	167.86	+1.4	164.54	107.70	148.83	146.85	+1.0	1.32	165.51	165.01	106.21	146.03	145.37	167.86	131.18	149.06			
Belgium (42)	161.91	+0.7	148.91	97.46	132.86	132.18	+0.3	4.30	150.86	150.31	95.74	133.02	150.76	158.76	131.19	143.48			
Canada (108)	125.96	+0.2	123.47	80.81	110.17	120.36	+0.6	2.61	125.69	125.24	80.60	110.82	119.64	130.38	111.41	125.77			
Denmark (38)	220.77	+2.2	218.40	141.65	193.11	206.88	+1.1	1.09	215.92	215.13	136.47	190.39	204.99	225.64	185.11	226.61			
Finland (23)	117.40	+3.7	115.07	75.32	102.89	143.14	+3.4	11.25	113.24	112.63	72.62	99.85	116.43	117.40	65.50	106.22			
France (97)	185.89	+3.9	180.71	105.19	143.41	152.08	+1.0	3.04	180.91	180.32	103.16	141.97	150.50	167.36	142.72	158.17			
Germany (60)	124.94	+2.0	122.47	80.17	109.29	109.29	+1.2	1.93	122.46	122.02	78.54	107.98	107.98	124.94	101.59	115.45			
Hong Kong (55)	298.60	+0.4	292.70	191.58	261.21	297.14	+0.4	3.21	297.29	296.21	190.84	262.15	295.50	301.61	218.82	232.86			
Ireland (19)	170.70	+2.8	167.55	108.52	149.32	172.18	+1.7	1.23	168.03	167.43	108.47	146.40	168.22	170.70	128.28	138.32			
Italy (70)	76.34	+0.7	74.83	48.96	96.78	91.20	+0.5	1.79	75.78	75.50	48.59	96.81	96.81	76.34	53.78	63.35			
Japan (47)	164.00	-0.4	160.75	105.22	143.47	105.22	-0.4	0.79	164.73	164.13	105.63	145.26	105.63	165.91	100.75	86.49			
Malaysia (69)	160.61	+1.0	160.29	227.78	324.18	363.62	+0.8	1.88	167.07	166.74	226.39	325.65	363.57	370.05	261.66	224.48			
Mexico (19)	1708.00	+1.3	1675.20	1096.49	1494.91	1508.26	+1.3	0.85	1688.46	1680.38	1081.52	1487.06	1572.75	1725.81	1410.30	1356.59			
Netherlands (24)	179.61	+1.7	176.05	115.24	157.11	156.18	+0.8	3.48	176.26	176.01	113.26	155.77	154.00	179.61	160.39	163.52			
New Zealand (19)	60.88	+4.2	59.45	38.94	55.08	60.08	+4.2	3.54	58.21	58.00	37.33	51.33	55.76	60.88	40.58	43.41			
Norway (22)	177.31	+1.8	173.80	113.76	155.10	175.86	+1.1	1.50	174.10	173.46	111.85	153.51	173.52	177.31	137.71	152.03			
Singapore (30)	274.40	+1.1	268.98	176.06	240.02	203.08	+1.0	1.70	271.48	270.49	174.10	239.37	201.17	274.40	207.04	181.84			
South Africa (80)	184.40	+0.4	184.40	127.29	173.54	201.43	+0.1	2.54	187.81	186.89	126.72	174.23	201.27	215.29	144.72	190.19			
Spain (42)	131.12	+2.9	128.53	84.13	114.70	137.66	+1.4	4.14	129.16	128.85	82.31	115.64	132.82	115.23	138.32	138.32			
Sweden (36)	186.23	+4.3	182.35	125.90	171.65	229.28	+2.3	1.47	188.18	187.50	120.58	185.83	224.12	196.23	149.70	180.05			
Switzerland (50)	134.81	+2.1	132.14	86.50	117.93	124.32	+0.8	1.75	132.02	131.54	84.96	116.42	123.30	134.81	108.91	110.80			
United Kingdom (218)	189.35	+3.2	185.81	121.48	165.62	185.61	+1.5	3.77	185.54	185.28	117.89	161.82	182.58	189.35	162.00	181.07			
USA (520)	186.56	+0.6	182.87	119.70	163.19	186.56	+0.6	2.74	186.41	186.14	118.91	163.50	182.41	186.56	175.38	170.40			
Europe (750)	156.45	+2.4	153.36	100.38	136.86	149.08	+1.2	3.00	152.72	152.17	97.94	134.67	147.26	156.45	133.92	146.46			
Nordic (114)	189.23	+3.8	179.61	117.56	190.28	189.62	+2.1	1.31	178.88	178.23	113.43	155.86	186.74	183.23	142.13	166.82			
Pacific Basin (714)	167.29	-0.5	163.98	107.23	148.33	127.21	+0.3	1.81	161.39	160.90	103.45	138.28	126.82	167.29	111.25	129.61			
North America (828)	180.39	+0.6	176.17	117.29	159.62	186.56	+0.6	2.75	181.10	180.44	116.65	160.24	180.84	180.39	176.71	156.95			
Asia (100)	124.82	+2.4	121.87	74.23	102.89	124.82	+2.4	1.74	124.82	124.82	74.23	102.89	124.82	124.82	74.23	102.89			
Pacific Ex. Japan (24)	202.33	+0.6	196.37	128.55	175.26	182.56	+0.6	3.00	198.84	198.12	127.53	175.35	183.82	202.33	170.12	156.95			
World Ex. US (1891)	162.77	+0.9	159.56	104.45	142.40	132.24	+0.3	1.84	161.08	159.99	103.62	142.47	128.82	162.77	118.17	117.22			
World Ex. US (1951)	167.79	+0.7	164.56	107.85	146.77	145.05	+0.3	2.80	167.03	166.42	107.12	142.19	142.80	167.79	134.22	129.62			
World Ex. US (1981)	171.31	+0.8	168.03	109.13	152.08	167.03	+0.8	2.80	170.57	169.96	109.13	152.08	167.03	171.31	134.22	129.62			
World Ex. Japan (1701)	174.86	+1.7	171.40	112.20	152.88	170.58	+0.8	2.83	172.70	172.07	110.76	152.89	169.18	174.86	147.37	159.54			
The World Index (2171)	169.46	+0.7	166.32	109.87	149.43	147.07	+0.4	2.31	166.50	167.89	108.06	149.49	146.46	169.46	137.32	134.24			